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 CUTIA THERAPEUTICS AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Cutia Therapeutics (the "**Company**") and its subsidiaries (together, the "Group") set out on pages I-[●] 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 31 December 2021 and 2022 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021 and 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 I-[●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "**Document**") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, 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' judgment, 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 preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

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

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 I-[4] 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.

[●]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**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 31 December	
	Notes	**2021**	**2022**
		RMB'000	*RMB'000*
Revenue	*5*	2,038	11,366
Cost of sales		(428)	(3,428)
Gross profit		1,610	7,938
Other income and gains	*5*	9,517	105,696
Selling and distribution expenses		(6,292)	(35,934)
Research and development costs		(110,558)	(180,756)
Administrative expenses		(64,745)	(100,452)
Fair value losses on convertible redeemable preferred shares		(120,330)	(327,097)
Other expenses	*6*	(28,224)	–
Finance costs	*8*	(559)	(1,728)
[**REDACTED**] expenses		**[REDACTED]**	**[REDACTED]**
LOSS BEFORE TAX	*7*	(319,581)	(555,836)
Income tax expense	*11*	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(319,581)	(555,836)
Attributable to:			
Owners of the parent		(319,581)	(555,836)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*13*	(19.96)	(34.72)

Consolidated Statements of Financial Position

	Notes	As at 31 December 2021 *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	26,242	179,398
Right-of-use assets	*15*	24,547	49,610
Other intangible assets		217	597
Amounts due from related parties	*27*	14,205	36,554
Prepayments, other receivables and other assets	*16*	27,945	35,221
Total non-current assets		93,156	301,380
CURRENT ASSETS			
Inventories	*17*	1,804	19,996
Trade receivables		–	98
Prepayments, other receivables and other assets	*16*	21,153	47,584
Amounts due from related parties	*27*	498	1,240
Financial assets at fair value through profit or loss ("**FVTPL**")	*18*	405,492	43,496
Time deposits over three months	*19*	769,648	567,145
Cash and cash equivalents	*19*	203,130	465,866
Total current assets		1,401,725	1,145,425
CURRENT LIABILITIES			
Trade and other payables	*20*	15,535	68,572
Lease liabilities	*15*	3,715	8,830
Total current liabilities		19,250	77,402
NET CURRENT ASSETS		1,382,475	1,068,023
TOTAL ASSETS LESS CURRENT LIABILITIES		1,475,631	1,369,403
NON-CURRENT LIABILITIES			
Lease liabilities	*15*	22,816	45,298
Deferred income		400	400
Convertible redeemable preferred shares	*21*	2,242,924	2,570,021
Total non-current liabilities		2,266,140	2,615,719
Net liabilities		(790,509)	(1,246,316)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*22*	11	11
Deficits	*23*	(790,520)	(1,246,327)
Total deficits		(790,509)	(1,246,316)

Consolidated Statements of Changes in Equity

Year ended 31 December 2021

	Ordinary share capital	Share premium*	Share option reserve*	Other reserve*	Accumulated losses*	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	11	259,156	20,335	(680,845)	(110,695)	(512,038)
Loss and total comprehensive loss for the year	–	–	–	–	(319,581)	(319,581)
Recognition of share-based payment expenses *(note 24)*	–	–	41,110	–	–	41,110
At 31 December 2021	11	259,156	61,445	(680,845)	(430,276)	(790,509)

Year ended 31 December 2022

	Ordinary share capital	Share premium*	Share option reserve*	Other reserve*	Accumulated losses*	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	11	259,156	61,445	(680,845)	(430,276)	(790,509)
Loss and total comprehensive loss for the year	–	–	–	–	(555,836)	(555,836)
Recognition of share-based payment expenses *(note 24)*	–	–	100,029	–	–	100,029
At 31 December 2022	11	259,156	161,474	(680,845)	(986,112)	(1,246,316)

- The deficits accounts comprised of RMB(790,520,000) and RMB(1,246,327,000) in the consolidated statements of financial position as at the end of each of the Relevant Periods.

Consolidated Statements of Cash Flows

		Year ended 31 December	
	Notes	**2021**	**2022**
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(319,581)	(555,836)
Adjustments for:			
Interest income	*5*	(6,113)	(17,371)
Finance costs	*8*	559	1,728
Depreciation of property, plant and equipment	*7*	5,772	10,779
Depreciation of right-of-use assets	*7*	3,868	7,917
Amortisation of other intangible assets	*7*	153	224
Gain on termination of a lease contract	*5*	(157)	–
Fair value losses/(gains) on financial assets at FVTPL	*5, 6*	5,196	(7,675)
Fair value losses on convertible redeemable preferred shares	*7*	120,330	327,097
Net foreign exchange losses/(gains)	*5, 6*	23,028	(73,979)
Share-based payment expenses	*7*	41,110	100,029
		(125,835)	(207,087)
Increase in prepayments, other receivables and other assets		(28,126)	(24,391)
Increase in amounts due from related parties		(4,531)	(7,982)
Increase in inventories		(1,804)	(18,192)
Increase in trade receivables		–	(98)
Increase in trade and other payables		419	21,560
Net cash flows used in operating activities		(159,877)	(236,190)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,517	6,469
Purchases of items of property, plant and equipment		(24,319)	(134,353)
Purchases of items of other intangible assets		(1,569)	(959)
Advances of loans to related parties		(10,143)	(14,377)
Advances of loans to employees		(1,087)	(3,735)
Placement of time deposits		(257,226)	(539,691)
Withdrawal of time deposits		154,226	779,040
Placement of pledged bank deposits		–	(992)
Withdrawal of pledged bank deposits		–	992
Placement of financial assets at FVTPL		(535,966)	(381,643)
Withdrawal of financial assets at FVTPL		263,914	751,314
Net cash flows (used in)/from investing activities		(410,653)	462,065

		Year ended 31 December	
	Notes	**2021**	**2022**
		RMB'000	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible redeemable preferred shares	*21*	483,994	–
Payment for rental deposits		(411)	(985)
Proceeds from rental deposits refund		263	–
Lease payments	*15*	(3,085)	(6,884)
Issue costs paid		–	(2,380)
Net cash flows from/(used in) financing activities		480,761	(10,249)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(89,769)	215,626
Cash and cash equivalents at beginning of year		300,170	203,130
Effect of foreign exchange rate changes, net		(7,271)	47,110
CASH AND CASH EQUIVALENTS AT END OF YEAR		203,130	465,866

Statements of Financial Position of the Company

	Notes	As at 31 December 2021	2022
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investments in subsidiaries	*1*	670,210	1,096,128
Total non-current assets		670,210	1,096,128
CURRENT ASSETS			
Prepayments, other receivables and other assets	*16*	679	6,666
Amount due from a subsidiary		24	24
Financial assets at FVTPL	*18*	385,415	3,291
Time deposits over three months	*19*	769,648	567,145
Cash and cash equivalents	*19*	2,394	324,559
Total current assets		1,158,160	901,685
CURRENT LIABILITIES			
Trade and other payables	*20*	–	18,729
Amounts due to subsidiaries	*27*	641	8,647
Total current liabilities		641	27,376
NET CURRENT ASSETS		1,157,519	874,309
TOTAL ASSETS LESS CURRENT LIABILITIES		1,827,729	1,970,437
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	*21*	2,242,924	2,570,021
Total non-current liabilities		2,242,924	2,570,021
Net liabilities		(415,195)	(599,584)
EQUITY			
Share capital	*22*	11	11
Deficits	*23*	(415,206)	(599,595)
Total deficits		(415,195)	(599,584)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate Information

Cutia Therapeutics (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2019. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market.

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 as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
Cutia Therapeutics (HK) Limited ("**Cutia HK**") (科笛生物醫藥(香港)有限公司) *(note a)*	Hong Kong 30 May 2019	USD1	100%	–	Cross-border operational matters and product commercialisation of the Group
Cutia Therapeutics (Shanghai) Co., Ltd.* ("**Cutia Shanghai**") (科笛生物醫藥(上海)有限公司) *(note b)*	Mainland China 3 July 2019	USD90,086,747	–	100%	Product research and development
Aurora Cutis Medical Technology (Shanghai) Co., Ltd.* ("**Aurora Cutis**") (晨笛醫藥科技(上海)有限公司) *(note b)*	Mainland China 11 November 2020	USD8,000,000	–	100%	Commercialisation of the self-developed products in the domestic market
Cutia Therapeutics (Wuxi) Co., Ltd.* ("**Cutia Wuxi**") (科笛生物醫藥(無錫)有限公司) *(note b)*	Mainland China 4 December 2020	USD100,000,000	–	100%	Product manufacture
Chongqing Lehao Pharmaceutical Co., Ltd.* ("**Chongqing Lehao**") (重慶樂豪醫藥有限公司) (*note c*)	Mainland China 24 August 2022	RMB100,000,000	–	100%	Commercialisation of the dermatoses pharmaceutical products developed by third-party manufacturer or the Group in the domestic market

Notes:

a. The financial statements of this entity for the year ended 31 December 2021 prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") issued by the Hong Kong Institute of Certified Public Accountants were audited by Tai Wan Sang & Co., certified public accountants registered in Hong Kong.

b. The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 prepared in accordance with Accounting System for Business Enterprises were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the People's Republic of China ("PRC").

c. In November 2022, the Group acquired a 100% equity interest in Chongqing Lehao which has no substantial business from two third-party individual owners at the consideration of RMB200.

* The English names of these companies registered in the PRC represent the best effort made by the directors of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 Basis of Preparation

Notwithstanding that the Group recorded net liabilities of RMB1,246,316,000 and continually incurred losses from operations, it recorded net current assets of RMB1,068,023,000 and hence, the Historical Financial Information has been prepared on a going concern basis. The directors have reviewed the Group's cash flow projections, which cover a period of at least twelve months from 31 December 2022. The directors 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 12 months from 31 December 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 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

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.

Basis of Consolidation

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

Generally, there is a presumption that a majority of voting rights results in control. 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.

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

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

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

2.2 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 IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,3]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[4, 6]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[4]

1 No mandatory effective date yet determined but available for adoption

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

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

4 Effective for annual periods beginning on or after 1 January 2024

5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17.

6 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. The Group expects that the application of the amendments will result in that the convertible redeemable preferred shares will be classified as current liabilities. So far, the Group has expected that other new and revised IFRSs will not have a significant effect on the Group's financial performance and financial position.

2.3 Summary of Significant Accounting Policies

Fair value measurement

The Group measures 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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:

Machinery and equipment	9% to 18%
Office and electronic equipment	18% to 30%
Motor vehicles	23%
Leasehold improvements	The lease term

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

Intangible assets (other than goodwill)

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

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

Software	2-3 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.

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

Plant	12 years
Office premises	1.5 to 6 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.

The Group's lease liabilities are presented in a separate line on the consolidated statements of financial position.

(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 premises (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 is 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, fair value through other comprehensive income, and fair value through profit or loss.

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

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

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

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

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date during the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, or making reference to the credit loss experience of similar companies in the market where the Group has not had sufficient 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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables and convertible redeemable preferred shares.

Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include convertible redeemable 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 profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities. Details of the Group's convertible redeemable preferred shares as at fair value through profit or loss are included in note 21 to the Historical Financial Information.

Financial liabilities at amortised cost

After initial recognition, financial liabilities 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 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 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.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the moving 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 on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

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 systemic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

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

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

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products to the specific location and upon the confirmation by the customer.

Right of return

For contracts which provide a customer with a right to return the products within a specific period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

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

Share-based payments

The Company operates an equity incentive plan (the "[**REDACTED**] **Equity Incentive Plan**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange 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 at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 24 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.

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 operating in Mainland China are required to contribute a certain percentage of its 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 Group's subsidiary which operates in Hong Kong operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group uses RMB as its 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 financial statements:

Research and development costs

All research costs are charged to profit or loss as incurred. Costs incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development costs in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make judgments on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

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.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Accrual of research and development costs

The Group relies on contract research organisations, clinical site management operators and clinical trial centres (collectively referred as "Outsourced Service Providers") to conduct, supervise, and monitor the Group's ongoing clinical trials in the PRC. Determining the amounts of research and development costs incurred up to the end of each of the Relevant Periods requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrollments, time elapsed and milestone achieved.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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.

Fair value of convertible redeemable preferred shares

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires the Group to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability ("**DLOM**") and volatility, which are subject to uncertainty.

The fair values of convertible redeemable preferred shares as at the end of each of the Relevant Periods were RMB2,242,924,000 and RMB2,570,021,000, respectively. Further details are included in note 21 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 payment transactions are disclosed in note 24 to the Historical Financial Information.

4. Operating Segment Information

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

During the Relevant Periods, all of the Group's revenue was derived from customers located in the PRC and nearly all of the Group's non-current assets were located in the Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operation Segments*.

Information about major customers

Revenue derived from sales to customers, which amounted to more than 10% of the Group's revenue for the years ended 31 December 2021 and 2022, is as follows:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Customer A	381	4,473

5. Revenue, Other Income And Gains

An analysis of revenue is as follows:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of products		
– at a point in time	2,038	11,366

There was no revenue recognised during the Relevant Periods that was included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods. Under the practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of products to the customers' specific locations and confirmation by the customers. The payment is generally made upon confirmation by the customers or due within 30 days from the acceptance by the customers.

An analysis of other income and gains is as follows:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Other income		
Government grants*	3,185	6,252
Bank interest income	6,081	16,447
Imputed interest income on rental and other deposits	–	26
Deemed interest income from loans to employees	3	166
Deemed interest income from the loans to related parties *(note 27)*	29	732
Others	62	419
	9,360	24,042
Gains		
Foreign exchange gains, net	–	73,979
Gain on termination of a lease contract	157	–
Fair value gains on financial assets at FVTPL	–	7,675
	157	81,654
	9,517	105,696

* The government grants have been received from the PRC local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled conditions relating to these government grants.

6. OTHER EXPENSES

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Foreign exchange losses, net	23,028	–
Fair value losses on financial assets at FVTPL	5,196	–
	28,224	–

7. Loss Before Tax

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

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Cost of sales	428	3,428
Cost of inventories recognised as expense (included in research and development costs)	1,352	1,818
Research and development costs	110,558	180,756
Depreciation of property, plant and equipment	5,772	10,779
Depreciation of right-of-use assets	3,868	7,917
Amortisation of other intangible assets	153	224
Gain on termination of a lease contract	(157)	–
Government grants	(3,185)	(6,252)
Fair value losses/(gains) on financial assets at FVTPL	5,196	(7,675)
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Fair value losses on convertible redeemable preferred shares	120,330	327,097
Foreign exchange differences, net	23,028	(73,979)
Staff costs (including directors' emoluments):		
– Salaries, bonuses, allowances and benefits in kind	41,500	74,088
– Pension scheme contributions	3,036	5,619
– Share-based payment expenses	41,110	100,029
	85,646	179,736
Auditors' remuneration	54	291
Lease payments not included in the measurement of lease liabilities	625	176

8. Finance Costs

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Interest on lease liabilities	559	1,728

9. Directors' And Chief Executive's Remuneration

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to 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 as follows:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Fees	–	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	3,089	4,285
Pension scheme contributions	58	67
Share-based payment expenses	23,884	18,886
	27,031	23,238

(a) Executive directors, non-executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind	**Pension scheme contributions**	**Share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021				
Executive director and chief executive officer:				
Ms. Zhang Lele *(note (i))*	3,089	58	23,884	27,031
Non-executive directors:				
Dr. Chen Lianyong *(note (ii))*	–	–	–	–
Dr. Xie Qin *(note (ii))*	–	–	–	–
Mr. Huang Xiao *(note (iii))*	–	–	–	–
Ms. Yang Yunxia *(note (iii))*	–	–	–	–
	–	–	–	–
	3,089	58	23,884	27,031

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022				
Executive directors and chief executive officer:				
Ms. Zhang Lele *(note (i))*	3,763	65	17,239	21,067
Mr. Huang Yuqing *(note (iv))*	522	2	1,647	2,171
	4,285	67	18,886	23,238
Non-executive directors:				
Dr. Chen Lianyong *(note (ii))*	–	–	–	–
Dr. Xie Qin *(note (ii))*	–	–	–	–
Mr. Huang Xiao *(note (iii))*	–	–	–	–
Ms. Yang Yunxia *(note (iii))*	–	–	–	–
	–	–	–	–
	4,285	67	18,886	23,238

Notes:

(i) Ms. Zhang Lele was appointed as the director of the Company with effect from 12 May 2020 and re-designated as the executive director of the Company with effect from 15 November 2022. Ms. Zhang Lele was also the chief executive of the Company with effective from September 2019 and her remuneration disclosed above included the remuneration for the services rendered by her as the chief executive.

(ii) Dr. Chen Lianyong and Dr. Xie Qin were appointed as the directors of the Company with effect from 23 August 2019 and re-designated as the non-executive directors of the Company with effect from 15 November 2022.

(iii) Mr. Huang Xiao and Ms. Yang Yunxia were appointed as the directors of the Company with effect from 26 August 2020 and re-designated as the non-executive directors of the Company with effect from 15 November 2022.

(iv) Mr. Huang Yuqing was appointed as the executive director of the Company with effective from 15 November 2022. The amounts disclosed in this note represented the remuneration of Mr. Huang Yuqing in respect of his qualifying services as an executive director from 15 November 2022 to 31 December 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, certain directors were granted share options and restricted share units, in respect of their services to the Group, under the equity incentive plan of the Company, further details of which are set out in note 24 to the Historical Financial Information. The fair value of such share options and restricted share units, which has been recognised in profit or loss over the vesting period, 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' and chief executive's remuneration disclosures.

10. Five Highest Paid Employees

The five highest paid employees during the years ended 31 December 2021 and 2022 included one director and two directors, respectively, the details of whose remuneration are set out in note 9 above. In addition, included in the five highest paid employees for the year ended 31 December 2022 was an individual being appointed as a director during the year ended 31 December 2022. The total remuneration of this individual for the year ended 31 December 2022, including the remuneration in respect of his qualifying services as a director, is comprised of salaries, bonuses, allowances and benefits in kind of RMB4,178,000, pension scheme contribution of RMB15,000 and share-based payment expenses of RMB11,298,000, respectively. Details of the remuneration for the years ended 31 December 2021 and 2022 of the remaining four and three highest paid employees, respectively, who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	7,372	5,833
Pension scheme contributions	205	174
Share-based payment expenses	8,144	24,521
	15,721	30,528

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

	Year ended 31 December	
	2021	**2022**
	No. of employees	*No. of employees*
HKD3,000,001 to HKD3,500,000	2	–
HKD5,000,001 to HKD5,500,000	1	–
HKD7,000,001 to HKD7,500,000	1	–
HKD11,000,001 to HKD11,500,000	–	2
HKD13,000,001 to HKD13,500,000	–	1
	4	3

During the Relevant Periods, share options and restricted share units were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 24 to the Historical Financial Information. The fair value of such options and restricted share units, which has been recognised in profit or loss over the vesting period, 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 non-director and non-chief executive highest paid employees' remuneration disclosures.

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

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

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed on the Company.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No Hong Kong profits tax was provided for as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

Mainland China

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income during the Relevant Periods.

Pursuant to the relevant CIT Law, Cutia Shanghai and Cutia Wuxi enjoyed a super deduction of 175% and 200%, respectively, on qualifying research and development expenditures during the Relevant Periods. In addition, Cutia Shanghai enjoyed a super deduction of 200% on qualifying research and development expenditures during the three months from 1 October 2022 to 31 December 2022.

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

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Loss before tax	(319,581)	(555,836)
Tax at the statutory tax rate (25%)	(79,895)	(138,959)
Tax effect of expenses not deductible for tax purposes	47,761	88,524
Additional deductible allowance for research and development expenses	(11,905)	(15,849)
Tax effect of tax losses not recognised	43,206	60,580
Tax effect of deductible temporary differences not recognised	833	4,378
Effect of different tax rate of subsidiaries operating in other jurisdictions	–	1,326
Tax charge at the Group's effective rate	–	–

The Group has tax losses arising in Hong Kong of approximately nil and RMB15,600,000 as at the end of each of the Relevant Periods that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The Group has accumulated tax losses in Mainland China of RMB260,331,000 and RMB492,355,000 in aggregate as at the end of each of the Relevant Periods that would expire in one to five years for offsetting against future taxable profits of the company in which the losses arose.

The Group has unrecognised deductible temporary differences of RMB3,732,000 and RMB21,245,000 as at the end of each of the Relevant Periods. The unrecognised deductible temporary differences are mainly related to the advertising and promotional expenses that exceeding 15% of the revenue for the current tax year which is allowed to be carried forward to the following tax years for deduction within the deduction limit.

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

12. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue for the Relevant Periods.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods in respect of a dilution as the impact of convertible redeemable preferred shares, share options 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 31 December	
	2021	**2022**
Loss		
Loss attributable to ordinary equity holders of the parent, for the purpose of calculating basic and diluted loss per share (RMB'000):	(319,581)	(555,836)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	16,009,142	16,009,142
Loss per share (basic and diluted) (RMB per share)	(19.96)	(34.72)

14. Property, Plant and Equipment

	Machinery and equipment *RMB'000*	Office and electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
As at 31 December 2021						
At 1 January 2021:						
Cost	8,239	345	–	373	6,964	15,921
Accumulated depreciation	(203)	(43)	–	(307)	–	(553)
Net carrying amount	8,036	302	–	66	6,964	15,368
At 1 January 2021, net of accumulated depreciation	8,036	302	–	66	6,964	15,368
Additions	5,707	596	374	414	9,555	16,646
Transfer from CIP	4,116	–	–	12,374	(16,490)	–
Depreciation provided during the year	(1,939)	(200)	(7)	(3,626)	–	(5,772)
At 31 December 2021, net of accumulated depreciation	15,920	698	367	9,228	29	26,242
At 31 December 2021:						
Cost	18,062	941	374	13,161	29	32,567
Accumulated depreciation	(2,142)	(243)	(7)	(3,933)	–	(6,325)
Net carrying amount	15,920	698	367	9,228	29	26,242

	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	CIP RMB'000	Total RMB'000
As at 31 December 2022						
At 1 January 2022:						
Cost	18,062	941	374	13,161	29	32,567
Accumulated depreciation	(2,142)	(243)	(7)	(3,933)	–	(6,325)
Net carrying amount	15,920	698	367	9,228	29	26,242
At 1 January 2022, net of accumulated depreciation	15,920	698	367	9,228	29	26,242
Additions	29,727	1,730	514	–	131,964	163,935
Transfer from CIP	1,550	–	–	123,217	(124,767)	–
Depreciation provided during the year	(3,507)	(317)	(172)	(6,783)	–	(10,779)
At 31 December 2022, net of accumulated depreciation	43,690	2,111	709	125,662	7,226	179,398
At 31 December 2022:						
Cost	49,339	2,671	888	136,378	7,226	196,502
Accumulated depreciation	(5,649)	(560)	(179)	(10,716)	–	(17,104)
Net carrying amount	43,690	2,111	709	125,662	7,226	179,398

As at the end of each of the Relevant Periods, there were no pledged property, plant and equipment.

15. Leases

The Group as a lessee

The Group has lease contracts for various items of plant and office premises used in its operations. Leases of plant generally have lease terms of 12 years, while office premises generally have lease terms between 1.5 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Plant RMB'000	Office premises RMB'000	Total RMB'000
As at 31 December 2021			
As at 1 January 2021	–	8,353	8,353
Additions	19,717	1,881	21,598
Depreciation charge	(411)	(3,457)	(3,868)
Termination of a lease contract	–	(1,536)	(1,536)
As at 31 December 2021	19,306	5,241	24,547

	Plant	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2022			
As at 1 January 2022	19,306	5,241	24,547
Additions	–	32,980	32,980
Depreciation charge	(1,643)	(6,274)	(7,917)
As at 31 December 2022	17,663	31,947	49,610

(b) *Lease liabilities*

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

	As at 31 December 2021	2022
	RMB'000	*RMB'000*
Carrying amount at 1 January	9,152	26,531
New leases	21,598	32,753
Accretion of interest recognised during the year	559	1,728
Termination of a lease contract	(1,693)	–
Payments	(3,085)	(6,884)
Carrying amount at the end of the year	26,531	54,128
Analysed into:		
Current portion	3,715	8,830
Non-current portion	22,816	45,298

The maturity analysis of lease liabilities is disclosed in note 30 to the Historical Financial Statement.

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

	Year ended 31 December 2021	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	559	1,728
Depreciation charge of right-of-use assets	3,868	7,917
Gain on termination of a lease contract	(157)	–
Expenses relating to short-term leases	610	128
Expenses relating to low-value assets	15	48
Total amount recognised in profit or loss	4,895	9,821

(d) The total cash outflow for leases is disclosed in note 25(c) to the Historical Financial Information.

16. Prepayments, Other Receivables and Other Assets

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Non-current:		
Loans to employees*	1,090	4,991
Deemed prepaid remuneration to employees*	446	2,307
Rental and other deposits	2,302	3,538
Value-added tax recoverable	10,810	12,747
Prepayments for purchase of items of other intangible assets	1,199	497
Prepayments for purchase of items of property, plant and equipment	12,098	11,141
	27,945	35,221
Current:		
Rental deposits	457	593
Deemed prepaid remuneration to employees*	53	244
Prepayments	20,642	37,756
Other receivables	1	58
Value-added tax recoverable	–	2,725
Deferred issue costs	–	6,208
	21,153	47,584

* The Group provided unsecured and non-interest-bearing loans of RMB1,589,000, RMB5,280,000 and RMB673,000 to employees in December 2021, March 2022 and December 2022, respectively, with terms ranging from 7.5 years to 10 years. On initial recognition, the receivables were measured at fair value, which in this case were equal to the loan amount given discounted to the present value using an effective interest rate of 4.90%. The difference between the loan amounts and their fair value was treated as deemed prepaid remuneration to employees and was amortised through the expected service period over the loan terms.

The Company

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Current:		
Prepayments	679	458
Deferred issue costs	–	6,208
	679	6,666

The balances are interest-free and are not secured with collateral.

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

17. Inventories

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Raw materials	698	1,376
Finished goods	1,106	18,620
	1,804	19,996

18. Financial Assets at FVTPL

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Financial products	405,492	43,496

The Company

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Financial products	385,415	3,291

The amount represented short-term investments issued by banks with no predetermined or guaranteed return which are not principal protected investments. The financial products are with expected rates of return (not guaranteed), depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets. The expected return rates ranged from 1.4%~3.3% and 2.90%~3.10% per annum, respectively, at the end of each of the Relevant Periods.

19. Time Deposits Over Three Months/Cash and Cash Equivalents

Time deposits over three months

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Time deposits over three months	769,648	567,145
Denominated in		
United States dollars ("**USD**")	769,648	567,145

The Company

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Time deposits over three months	769,648	567,145
Denominated in		
USD	769,648	567,145

The time deposits are placed with banks in the PRC with a term of over three months upon placement, which carry interest at a fixed rate between 0.45% to 0.84% and 3.574%/4.50% per annum, respectively, at the end of each of the Relevant Periods.

Cash and cash equivalents

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Cash and cash equivalents	203,130	465,866
Denominated in		
RMB	3,530	381,658
USD	199,600	84,208

The Company

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Cash and cash equivalents	2,394	324,559
Denominated in		
RMB	–	320,236
USD	2,394	4,323

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

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

20. Trade and Other Payables

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Trade payables	335	–
Accrued expenses for research and development services	7,329	6,021
Payables for purchase of items of property, plant and equipment	608	28,176
Other payables	1,781	2,943
Salary and bonus payables	4,856	11,859
Other taxes payable	626	960
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
	15,535	68,572

The Company

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Other payables	–	116
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
	–	18,729

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:

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Within 3 months	265	–
3 months to 1 year	70	–
	335	–

Trade and other payables are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in trade and other payables as at the end of each of the Relevant Periods approximated to their fair values due to their short-term maturities.

21. Convertible Redeemable Preferred Shares

In August 2019, the Company entered into a purchase agreement of series A-1 convertible preferred shares with 6Dimensions Capital, L.P. and 6Dimensions Affiliates Fund, L.P. (collectively referred to as the "Offshore Investors"), pursuant to which the Company issued 5,000,000 series A-1 convertible preferred shares with a par value of USD0.0001 each ("**Series A-1 Convertible Preferred Shares**") at a price of USD1.00 per share for a total consideration of USD5,000,000 (equivalent to RMB35,286,000).

Meanwhile, Cutia Shanghai, the subsidiary of Cutia HK, issued 50.43% ordinary shares to Suzhou 6 Dimensions Venture Capital Partnership L.P. ("Suzhou 6 Dimensions") and Suzhou Frontline BioVentures Venture Capital Fund II L.P. ("Suzhou Frontline II") (collectively referred to as the "**Onshore Investors**") for a total consideration of USD15,000,802 (equivalent to RMB105,448,000) (the "**Agreement**"). Upon the equity investment, the Company also granted the Onshore Investors or their designated affiliates or nominees with a share purchase option. Pursuant to which, when the Onshore Investors choose to dispose of their equity interests in Cutia Shanghai to Cutia HK for a consideration of the original investment amount or a consideration by reference to the valuation of Cutia Shanghai determined by the Group and the Onshore Investors, the Onshore Investors should subscribe 8,004,571 ordinary shares, 5,000,000 Series A-1 Preferred Shares and 4,285,714 series A-2 convertible preferred shares of the Company ("**Series A-2 Convertible Preferred Shares**") (collectively referred to as the "**Series A Convertible Preferred Shares**") at the same consideration received form Cutia HK.

In August 2020, the Company entered into a purchase agreement of series B convertible redeemable preferred shares with a group of investors, pursuant to which the Company issued 20,571,428 series B convertible redeemable preferred shares with a par value of USD0.0001 each ("**Series B Convertible Redeemable Preferred Shares**") at a price of USD8.75 per share for the total consideration of USD180,000,000 (equivalent to RMB1,234,580,000). In the meanwhile, a redemption right was granted to the holders of Series A Convertible Preferred Shares, resulting in the conversion of Series A Convertible Preferred Shares to the series A convertible redeemable preferred shares with a par value of USD0.0001 each ("**Series A Convertible Redeemable Preferred Shares**").

In November 2020, the Onshore Investors exercised their share purchase options. Pursuant to the Agreement entered into, the Onshore Investors transferred all of their equity interests in Cutia Shanghai to Cutia HK for a total consideration of USD15,000,802 (equivalent to RMB98,422,000) and the Company issued 8,004,571 ordinary shares at a price of USD0.0001 per share with the total consideration of USD802 (equivalent to RMB6,000), 5,000,000 series A-1 convertible redeemable preferred shares at a price of USD1.00 per share with the total consideration of USD5,000,000 (equivalent to RMB32,806,000) and 4,285,714 series A-2 convertible redeemable preferred shares at a price of USD2.33 per share with the total consideration of USD10,000,000 (equivalent to RMB65,610,000) to the Onshore Investors. After exercising the share purchase option and completing the transfer of equity interests in Cutia Shanghai to Cutia HK, Cutia Shanghai became an indirect wholly-owned subsidiary of the Company.

In September 2021, the Company entered into a purchase agreement of series C convertible redeemable preferred shares with a group of investors, pursuant to which the Company issued 5,682,249 series C convertible redeemable preferred shares with a par value of USD0.0001 each ("Series C Convertible Redeemable Preferred Shares") at a price of USD13.199 per share for the total consideration of USD75,000,001.01 (equivalent to RMB483,994,000).

Presentation and classification

Prior to the issue of Series B Convertible Redeemable Preferred Shares, pursuant to the original and amended Memorandum and Articles of Association (the "**MOA**"), the Company does not have an obligation to i) deliver cash or other financial assets to the holders of Series A Convertible Preferred Shares; ii) to exchange financial assets or financial liabilities with the holders of Series A Convertible Preferred Shares that are potentially unfavourable to the Company; and iii) to deliver a variable number of the Company's own ordinary share. Hence, Series A Convertible Preferred Shares is recognised as equity in accordance with relevant IFRS standard.

Since the ordinary shares in Cutia Shanghai held by the Onshore Investors are convertible into fixed number of ordinary shares and Series A Convertible Preferred Shares of the Company, the share purchase option granted to Onshore Investors should be classified as equity instrument in the consolidated financial statements. Therefore, the share purchase option was not required to be recorded at fair value, but at an initial cost of zero. Meanwhile, the equity interests held by the Onshore Investors in Cutia Shanghai were accounted for as non-controlling interests in the consolidated financial statements. However, in the financial statements of the Company, the share purchase options should be accounted as derivatives and were recognised at fair value upon initial recognition. Any changes of their fair value in subsequent reporting dates are recognized in profit or loss.

After the issuance of Series B Convertible Redeemable Preferred Shares, a redemption right was also granted to the holders of Series A Convertible Preferred Shares, which resulted in the conversion of Series A Convertible Preferred Shares to Series A Convertible Redeemable Preferred Shares. As such, the Group designated host debt and conversion derivatives of Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares as financial liabilities measured at fair value through profit or loss and presented as convertible redeemable preferred shares in the statements of financial position. The difference between the carrying amount of the Series A Convertible Preferred Shares and the fair value of the Series A Convertible Redeemable Preferred Shares was debited to "other reserves".

Meanwhile, in the consolidated financial statements, the Group redesignated the share purchase options for the Series A Convertible Redeemable Preferred Shares granted to the Onshore Investors as financial liabilities measured at fair value through profit or loss and the non-controlling interests held by the Onshore Investors were derecognised. The difference between the carrying amount of non-controlling interests and the fair value of gross obligation from share purchase options granted to the Onshore Investors at the redesignation date was debited to "other reserves".

As for the share purchase options for ordinary shares granted to the Onshore Investors, the non-controlling interests were derecognised upon the exercise of share purchase options. The difference between the carrying amount of non-controlling interests and the fair value of the ordinary shares of the Company at the exercise date was debited to "other reserves".

According to MOA of the Company in September 2021, the key terms of the Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares (collectively, the "Preferred Shares") are as follows:

Liquidation preference

In the event of any liquidation, dissolution or winding up, either voluntarily or involuntarily of the Company, and any Deemed Liquidation Event ("**Liquidation Event**"), distributions to the members of the Company shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

(a) Before any distribution or payment shall be made to the holders of any ordinary share, Series A Convertible Redeemable Preferred Shares or Series B Convertible Redeemable Preferred Shares, the holders of Series C Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series C Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series C issue price for each Series C Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series C original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the "**Series C Share Preference Amount**"), and (ii) the amount per share such holder would have received if the Series C Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the assets and funds thus distributed among the holders of Series C Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series C Share Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series C Convertible Redeemable Preferred Shares in proportion to the Series C Share Preference Amount each such holder is otherwise entitled to receive.

(b) If there are any assets or funds remaining after the aggregate Series C Share Preference Amount has been distributed or paid in full to all of the holders of the Series C Convertible Redeemable Preferred Shares pursuant to section (a) above, before any distribution or payment shall be made to the holders of any ordinary share or Series A Convertible Redeemable Preferred Shares, the holders of Series B Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series B Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series B issue price for each Series B Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series B original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the "**Series B Share Preference Amount**"), and (ii) the amount per share such holder would have received if the Series B Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the remaining assets and funds after the full payment of the aggregate of Series C Share Preference Amount pursuant to section (a) above thus distributed among the holders of Series B Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B Share Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series B Convertible Redeemable Preferred Shares in proportion to the Series B Share Preference Amount each such holder is otherwise entitled to receive.

(c) If there are any assets or funds remaining after the aggregate Series C Share Preference Amount has been distributed or paid in full to all of the holders of the Series C Convertible Redeemable Preferred Shares pursuant to section (a) above, and after the aggregate Series B Share Preference Amount has been distributed or paid in full to all of the holders of the Series B Convertible Redeemable Preferred Shares pursuant to section (b) above, before any distribution or payment shall be made to the holders of the ordinary shares, the holders of Series A Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series A Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series A issue price for each Series A Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series A original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the "**Series A Share Preference Amount**"), and (ii) the amount per share such holder would have received if the Series A Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the remaining assets and funds after the full payment of the aggregate of Series C Share Preference Amount and Series B Share Preference Amount pursuant to section (a) and section (b) above thus distributed among the holders of Series A Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series A Share Preference Amount, then the entire remaining assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series A Convertible Redeemable Preferred Shares in proportion to the Series A Share Preference Amount each such holder is otherwise entitled to receive.

(d) After setting aside or paying in full the Series C Preference Amount due pursuant to section (a) above, Series B Share Preference Amount due pursuant to section (b) above and the Series A Share Preference Amount due pursuant to section (c) above, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares on a pro rata basis, based on the number of ordinary shares then held by each such holder.

Deemed Liquidation Event means any transaction (treating any series of related transactions as a "transaction") involving (i) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Group, (ii) a sale, transfer or exclusive licensing of all or substantially all of the intellectual property of the Group, (iii) a merger, share acquisition, consolidation or other business combination of the Group in which third parties that are not affiliates of the shareholders of such Group immediately prior to such transaction own a majority of such Group's voting power immediately after such transaction or any merger, consolidation, share acquisition or other transaction in which the shareholders of the Group who had been shareholders immediately prior to such transaction did not retain a majority of the equity or voting power in the surviving entity, or (iv) a sale or disposition (whether by merger, consolidation, share acquisition or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries.

Conversion

(a) *Right to convert Preferred Shares* Unless converted earlier pursuant to section (b) below, each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the respective original issue date into such number of fully paid and non-assessable ordinary shares as determined by dividing the respective issue price by the respective Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which ordinary shares shall be issuable upon conversion of the Preferred Shares (the "**Conversion Price**") shall initially be the respective issue price for each applicable Preferred Share. Such initial Conversion Price shall be subject to adjustment as hereinafter provided. Nothing in this section shall limit the automatic conversion rights of Preferred Shares described in section (b) below. For the avoidance of doubt, the initial conversion ratio for Preferred Shares to ordinary shares is 1:1, and shall be subject to adjustment from time to time, including but not limited to share dividends, subdivisions, combinations or consolidations of ordinary shares, reclassifications, exchange and substitution, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

(b) *Automatic conversion* Each class or series of the Preferred Share shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the closing of a [**REDACTED**]; or (ii) the date when the Company obtains the vote or written consent of at least fifty percent (50%) holders of Series A Convertible Redeemable Preferred Shares ("**Series A Majority**"), at least fifty percent (50%) holders of Series B Convertible Redeemable Preferred Shares ("**Series B**

Majority") and at least fifty percent (50%) holders of Series C Convertible Redeemable Preferred Shares ("**Series C Majority**"). In the event of the automatic conversion of the Preferred Shares upon a [**REDACTED**] as described above, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such [**REDACTED**].

[**REDACTED**] means a firm [**REDACTED**] of the ordinary shares of the Company on the New York Stock Exchange, the NASDAQ National Market System in the United States, the Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange, Shenzhen Stock Exchange, or another recognised securities exchange approved by the board of the directors at a pre-money valuation of not less than USD1 billion.

Redemption

The Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares shall be redeemable at the option of holders of the Preferred Shares as provided herein:

(a) *Optional Series C Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a [**REDACTED**], (ii) any material breach by any subsidiary of the Group or Zhang Lele, and (iii) the date of receipt of the Company's written notice of the exercise by any holder of the Series B Convertible Redeemable Preferred Shares of its redemption right pursuant to section (b) below or any holder of the Series A Convertible Redeemable Preferred Shares of its redemption rights pursuant to section (c) below, the Series C Majority (each a "Series C Redeeming Shareholder") shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series C Convertible Redeemable Preferred Shares (the "**Series C Redemption Shares**") in preference to any other class or series of shares of the Company, including the Series A Convertible Redeemable Preferred Shares and Series B Convertible Redeemable Preferred Shares.

(b) *Optional Series B Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a [**REDACTED**], (ii) any material breach by any subsidiary of the Group or Zhang Lele, and (iii) the date of receipt of the Company's written notice of the exercise by any holder of the Series C Convertible Redeemable Preferred Shares of its redemption right pursuant to section (a) above or any holder of the Series A Convertible Redeemable Preferred Shares of its redemption right pursuant to section (c) below, the Series B Majority (each a "Series B Redeeming Shareholder") shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series B Convertible Redeemable Preferred Shares (the "**Series B Redemption Shares**") in preference to the Series A Convertible Redeemable Preferred Shares.

(c) *Optional Series A Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a [**REDACTED**]; (ii) any material breach by the Company or Zhang Lele, and (iii) the date of receipt of the Company's written notice of the exercise by any holder of the Series C Convertible Redeemable Preferred Shares of its redemption right pursuant to section (a) above or the exercise by any holder of the Series B Convertible Redeemable Preferred Shares of its redemption right pursuant to section (b) above, the Series A Majority (each a "**Series A Redeeming Shareholder**" and together with a Series C Redeeming Shareholder and Series B Redeeming Shareholder, a "**Redeeming Shareholder**") shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series A Convertible Redeemable Preferred Shares (the "**Series A Redemption Shares**" and together with the Series C Redemption Shares and Series B Redemption Shares, the "**Redemption Shares**").

(d) *Redemption Price* The redemption price for each Redemption Share redeemed pursuant to section (a), section (b) and section (c) shall be equal to 100% of the applicable issue price with a simple rate of return of eight percent (8%) per annum calculating from the applicable original issue date to the applicable due date plus all accrued but unpaid dividends (the "**Redemption Price**"). For the avoidance of doubt, if a Redeeming Shareholder only requires the Company to redeem part of its equity interests in the Company, then the total Redemption Price shall be calculated proportionately based on the number of the Redemption Shares with respect to such Redeeming Shareholder.

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

	Series A Convertible Redeemable Preferred Shares		Series B Convertible Redeemable Preferred Shares		Series C Convertible Redeemable Preferred Shares		Total
	Number of shares	*RMB'000*	*Number of shares*	*RMB'000*	*Number of shares*	*RMB'000*	*RMB'000*
As at 1 January 2021	14,285,714	443,688	20,571,428	1,194,912	–	–	1,638,600
Issuance of preferred shares	–	–	–	–	5,682,249	483,994	483,994
Changes in fair value	–	144,507	–	(16,059)	–	(8,118)	120,330
As at 31 December 2021 and 1 January 2022	14,285,714	588,195	20,571,428	1,178,853	5,682,249	475,876	2,242,924
Changes in fair value	–	138,907	–	188,484	–	(294)	327,097
As at 31 December 2022	14,285,714	727,102	20,571,428	1,367,337	5,682,249	475,582	2,570,021

The Group has used the discounted cash flow method and the back-solve method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	As at 31 December 2021	2022
Risk-free interest rate	1.06%	4.29%
DLOM	10.00%	5.5%
Volatility	45.39%	37.50%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as at 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 annualised standard deviation of daily shares 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 categorised 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 31 December 2021	As at 31 December 2022
		RMB'000	*RMB'000*
DLOM	5%/(5%)	(128,634)/128,634	(140,141)/140,141
Volatility	5%/(5%)	(15,841)/10,687	(9,161)/1,694
Risk-free interest rate	5%/(5%)	(46,578)/47,897	(45,663)/47,250

22. Share Capital

The Company was incorporated in the Cayman Islands on 15 May 2019 with initial authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each. On 23 August 2019, the authorised share capital of the Company was subdivided to 500,000,000 shares with a par value of USD0.0001 each.

Authorised

	As at 31 December	
	2021	**2022**
	Number of shares authorised	*Number of shares authorised*
Ordinary shares of USD0.0001 each	459,460,609	459,460,609
Series A Convertible Redeemable Preferred Shares of USD0.0001 each	14,285,714	14,285,714
Series B Convertible Redeemable Preferred Shares of USD0.0001 each	20,571,428	20,571,428
Series C Convertible Redeemable Preferred Shares of USD0.0001 each	5,682,249	5,682,249
	500,000,000	500,000,000

Issued and fully paid

	As at 31 December			
	2021		**2022**	
	Number of ordinary shares in issue	**Share capital**	**Number of ordinary shares in issue**	**Share capital**
		RMB'000		*RMB'000*
Ordinary shares of USD0.0001 each	16,009,142	11	16,009,142	11

23. Reserves

The Group

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on pages I-7 to I-8 of the Historical Financial Information.

The Company

	Share premium	**Share option reserve**	**Other reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	259,156	20,335	(206,305)	(388,273)	(315,087)
Loss and total comprehensive loss for the year	–	–	–	(141,229)	(141,229)
Recognition of share-based payment expenses	–	41,110	–	–	41,110
At 31 December 2021	259,156	61,445	(206,305)	(529,502)	(415,206)

	Share premium	Share option reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	259,156	61,445	(206,305)	(529,502)	(415,206)
Loss and total comprehensive loss for the year	–	–	–	(284,418)	(284,418)
Recognition of share-based payment expenses	–	100,029	–	–	100,029
At 31 December 2022	259,156	161,474	(206,305)	(813,920)	(599,595)

24. Share-Based Payment Transactions

[**REDACTED**] ***Equity Incentive Plan***

The Company operates the [**REDACTED**] Equity Incentive Plan, which was adopted pursuant to a resolution passed on 23 August 2019, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of [**REDACTED**] Equity Incentive Plan include any officers, directors, employees of the Group, and any individual consultants or advisors who render or have rendered bona fide services to the Group.

The directors of the Company approved up to 3,990,858 shares of the Company after the sub-division of ordinary shares on 23 August 2019, in which options may be granted under the [**REDACTED**] Equity Incentive Plan. On 6 January 2021, a resolution was passed by the board of directors of the Company to increase the capacity of the [**REDACTED**] Equity Incentive Plan to 6,713,843 shares. On 30 November 2021, a resolution was passed by the board of directors of the Company to increase the capacity of the [**REDACTED**] Equity Incentive Plan to 14,137,134 shares.

(a) Share options

On 23 August 2019, 219,429 share options ("**Batch 1**"), which can be vested immediately, were granted to one consultant of the Group.

During the year ended 31 December 2020, 3,162,856 share options ("**Batch 2**"), 183,600 share options ("**Batch 3**"), 355,027 share options ("**Batch 4**") were granted to a director, certain employees and consultants of the Group.

During the Relevant Periods, 2,069,182 share options ("**Batch 5**"), 460,641 share options ("**Batch 6**"), 109,248 share options ("**Batch 7**"), 59,812 share options ("**Batch 8**") and 421,440 share options ("**Batch 9**") were granted to two directors, certain employees and consultants of the Group.

The share options have a service condition that shall vest over a 60-month period, consisting of a cliff vesting of 20% of the share options on the one-year anniversary of the vesting commencement date and a vesting of 1/60th of the share options upon each successive monthly anniversary (or if there is no corresponding day, on the last day of such month) for the next 48 months following such one-year anniversary. As for Batch 8 and Batch 9, in addition to time-based vesting condition, the number of restricted share units which shall vest also depends on the specific performance target which is that grantees shall receive at least 3 points in the performance target annual review during the vesting period. The exercisable period of the share options will be expired after ten years from the vesting commencement date. Also, pursuant to the board resolution dated on 30 November 2021, in case of a [**REDACTED**], the vesting schedule of the unvested share options shall be accelerated by 50% on the six-months anniversary of the [**REDACTED**] date (the "**Accelerate Date**"), provided that the participants have been employed by or provided services to the Group for at least one year upon the Acceleration Date (the "**Modification**"). Since such Modification reduces the fair value of the share options granted before 30 November 2021, measured immediately before and after the modification, the Group shall not take into account that decrease in fair value and shall continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted.

The Group recognised equity-settled share option expenses based on the estimated grant date fair value for employees and consultants using the binomial model on a straight-line basis over the requisite service period of the share options. The recognised equity-settled share option expenses are included in selling and distribution expenses, research and development costs and administrative expenses in the accompanying consolidated statements of profit or loss and other comprehensive income for the Relevant Periods.

The following share options were outstanding during the Relevant Periods:

	Number of share options
As at 1 January 2021	3,920,912
Granted during the year	2,639,071
Forfeited during the year	(294,510)
As at 31 December 2021 and 1 January 2022	6,265,473
Granted during the year	481,252
Forfeited during the year	(36,184)
As at 31 December 2022	6,710,541

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

As at 31 December 2021

	Number of share options outstanding	**Exercise price**	**Fair value at grant date**
		USD per share	*USD per share*
Batch 1	219,429	0.0001	0.2020
Batch 2	3,162,856	0.30	1.3446-1.3485
Batch 3	183,600	0.30	1.3444-1.3467
Batch 4	115,374	0.30	4.3809-4.3857
Batch 5	2,014,325	0.30/1.98	3.0186-4.4397
Batch 6	460,641	0.30/1.98	3.5414-4.7897
Batch 7	109,248	1.98	4.6306
	6,265,473		

As at 31 December 2022

	Number of share options outstanding	**Exercise price**	**Fair value at grant date**
		USD per share	*USD per share*
Batch 1	219,429	0.0001	0.2020
Batch 2	3,162,856	0.30	1.3446-1.3485
Batch 3	183,600	0.30	1.3444-1.3467
Batch 4	115,374	0.30	4.3809-4.3857
Batch 5	1,988,366	0.30/1.98	3.0186-4.4397
Batch 6	460,641	0.30/1.98	3.5414-4.7897
Batch 7	99,023	1.98	4.6306
Batch 8	59,812	0.30	4.9574-6.4592
Batch 9	421,440	0.30/1.98	4.4581-5.9995
	6,710,541		

The fair values of the share options granted to the employees and consultants were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Batch 1	Batch 2	Batch 3	Batch 4	Batch 5	Batch 6	Batch 7	Batch 8	Batch 9
Expected volatility (%)	39.6%	42.6%	42.6%	43.4%	44.0%	44.4%	44.6%	44.2%	44.3%
Risk-free interest rate (%)	1.52%	1.13%	0.60%	0.68%	1.44%	1.37%	1.43%	1.83%	4.14%
Exercise multiple	2.2	2.2/2.8	2.2/2.8	2.2/2.8	2.2/2.8	2.8	2.2	2.2/2.28	2.2/2.28

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

*(b) Restricted share units (the "**RSUs**")*

On 1 December 2021, 28 February 2022, 19 October 2022 and 20 November 2022, 369,715 RSUs, 3,097,989 RSUs, 1,944,883 RSUs and 1,952,418 RSUs were granted to two directors and certain employees of the Group, respectively.

Except for RSUs granted on 20 November 2022, the RSUs have a service condition that shall vest over a 4-year period, consisting of a cliff vesting of 25% of the RSUs on the one-year anniversary of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year anniversary. As for RUSs granted on 20 November 2022, the RSUs have a service condition that shall vest over a 4.5-year period, consisting of a cliff vesting of 25% of the RSUs on the one-year and a half anniversary of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year and a half anniversary, provided that the Company has consummated an [**REDACTED**] of the Company and [**REDACTED**] of the Company's shares on a stock exchange. In addition to time-based vesting condition, the number of restricted share units which shall vest also depends on the specific performance target which is grantees shall receive at least 3 points in the performance target annual review during the vesting period. The exercisable period of the RSUs will be expired after ten years from the vesting commencement date.

The following RSUs were outstanding during the Relevant Periods:

	Number of RSUs
As at 31 December 2020 and 1 January 2021	–
Granted during the year	369,715
As at 31 December 2021 and 1 January 2022	369,715
Granted during the year	6,995,290
Forfeited during the year	(39,684)
As at 31 December 2022	7,325,321

The exercise prices, exercise periods and the fair value of the RSUs outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2021

Grant date	Number of RSUs outstanding	Exercise price	Fair value at grant date
		USD per share	*USD per share*
1 December 2021	369,715	0.0001	6.4100

As at 31 December 2022

Grant date	Number of RSUs outstanding	Exercise price	Fair value at grant date
		USD per share	*USD per share*
1 December 2021	330,031	0.0001	6.4100
28 February 2022	3,097,989	0.0001	6.7548
19 October 2022	1,944,883	0.0001	6.2919
20 November 2022	1,952,418	0.0001	6.2920
	7,325,321		

The fair value of the RSUs was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the RSUs were granted. Major inputs used for the determination of the fair value of ordinary shares are listed as follow:

	1 December 2021	28 February 2022	19 October 2022	20 November 2022
Volatility	44.62%	44.21%	44.29%	44.35%
Risk-free interest rate	1.43%	1.83%	4.14%	3.82%
DLOM	10.00%	8.50%	7.50%	7.50%

The total share-based payment expenses recognised in profit or loss for share options and RSUs are approximately RMB41,110,000 and RMB100,029,000 for the Relevant Periods.

25. Notes to the Consolidated Statements of Cash Flows

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB21,598,000 and RMB32,753,000 and non-cash additions to lease liabilities of RMB21,598,000 and RMB32,753,000, respectively, in respect of lease arrangements for plant and office premises.

(b) Changes in liabilities arising from financing activities

	Accrued [REDACTED] expense included in other payables	Lease liabilities	Convertible redeemable preferred shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	–	9,152	1,638,600	1,647,752
Changes from financing cash flows	–	(3,085)	483,994	480,909
Accretion of interest	–	559	–	559
New leases	–	21,598	–	21,598
Termination of a lease contract	–	(1,693)	–	(1,693)
Changes in fair value	–	–	120,330	120,330
At 31 December 2021 and 1 January 2022	–	26,531	2,242,924	2,269,455
Changes from financing cash flows	(2,380)	(6,884)	–	(9,264)
Changes from operating cash flows	(8,718)	–	–	(8,718)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred issue costs	6,208	–	–	6,208
Accretion of interest	–	1,728	–	1,728
New leases	–	32,753	–	32,753
Changes in fair value	–	–	327,097	327,097
At 31 December 2022	18,613	54,128	2,570,021	2,642,762

(c) Total cash outflow for leases

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

	Year ended 31 December	
	2021	2022
	RMB'000	*RMB'000*
Within operating activities	625	176
Within financing activities	3,085	6,884
	3,710	7,060

26. Commitments

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

	As at 31 December	
	2021	2022
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment, and other intangible assets	10,229	6,456

27. Related Party Transactions

(a) The Group had the following transactions with related parties during the Relevant Periods

The Group

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Loans to *(note)*		
Ms. Zhang Lele	7,687	7,983
Mr. Wu Jiaru*	357	958
Mr. Zhu Qi*	1,132	1,409
Ms. Zhang Chunna*	629	1,337
Dr. Lei Lei*	223	1,317
Ms. Xu Jingxin*	115	1,373
	10,143	14,377
Deemed prepaid remuneration to *(note)*		
Ms. Zhang Lele	3,440	4,864
Mr. Wu Jiaru*	158	577
Mr. Zhu Qi*	508	848
Ms. Zhang Chunna*	286	805
Dr. Lei Lei*	106	793
Ms. Xu Jingxin*	62	827
	4,560	8,714
	14,703	23,091
Deemed interest income from loans to key management *(note)*		
Ms. Zhang Lele	22	397
Mr. Wu Jiaru*	1	50
Mr. Zhu Qi*	3	102
Ms. Zhang Chunna*	2	76
Dr. Lei Lei*	1	55
Ms. Xu Jingxin*	–	52
	29	732

The Company

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
[**REDACTED**] expenses paid by related parties on behalf of the Company		
Cutia Wuxi	[**REDACTED**]	[**REDACTED**]
Cutia HK	[**REDACTED**]	[**REDACTED**]
Aurora Cutis	[**REDACTED**]	[**REDACTED**]
	[**REDACTED**]	[**REDACTED**]

(b) Outstanding balances with related parties:

The Group

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Amounts due from related parties:		
Loans to related parties – non-trade in nature and non-current *(note)*:		
Ms. Zhang Lele	7,709	16,089
Mr. Wu Jiaru*	358	1,366
Mr. Zhu Qi*	1,135	2,646
Ms. Zhang Chunna*	631	2,044
Dr. Lei Lei*	224	1,596
Ms. Xu Jingxin*	115	1,540
	10,172	25,281
Deemed prepaid remuneration to related parties – trade in nature *(note)*		
Ms. Zhang Lele	3,418	7,885
Mr. Wu Jiaru*	157	684
Mr. Zhu Qi*	505	1,251
Ms. Zhang Chunna*	284	1,013
Dr. Lei Lei*	105	843
Ms. Xu Jingxin*	62	837
	4,531	12,513
	14,703	37,794
Analysed into:		
Current portion	498	1,240
Non-current portion	14,205	36,554

* Those persons are key management personnel of the Company. Mr. Zhu Qi is the chief medical officer. Dr. Lei Lei is the senior vice president of research and development department. Ms. Zhang Chunna is the senior vice president of regulatory affairs department. Ms. Xu Jingxin is the senior vice president of manufacturing and quality control department. Mr. Wu Jiaru is the senior vice president of finance and integrated management department.

The maturity dates of the loans borrowed by Ms. Zhang Lele in 2021 and 2022 are 1 September 2029 and 20 November 2032, respectively. The maturity dates of the loans borrowed by key management personnel fall between 5 August 2029 and 28 February 2032.

The Company

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Amounts due to subsidiaries		
Cutia Wuxi	641	3,468
Cutia HK	–	4,105
Aurora Cutis	–	1,074
	641	8,647

The maximum amounts of the non-trade related receivables due from the director during the Relevant Periods:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Amount due from a related party		
Ms. Zhang Lele	7,709	16,089

Note: The Group provided an eight-year unsecured and non-interest-bearing loans of RMB11,127,000 and a ten-year unsecured and non-interest-bearing loans of RMB12,847,000 to Ms. Zhang Lele in December 2021 and December 2022, respectively. Meanwhile, the Group also provided unsecured and non-interest-bearing loans of RMB3,576,000 and RMB10,244,000 to other key management personnel of the Group in December 2021 and March 2022, respectively with terms ranging from 7.5 years to 10 years. On initial recognition, the receivable was measured at fair value, which in this case was equal to the cash consideration given discounted to the present value using an effective interest rate of 4.90%. The difference between the loan amount and its fair value was treated as deemed prepaid remuneration to Ms. Zhang Lele and other key management personnel and was amortized through the expected loan terms.

The loans to related parties are non-trade in nature and will not be settled prior to [**REDACTED**].

Pursuant to Rule 14A.31 of the Listing Rules, continuing connected transactions are connected transactions involving the provision of goods or services or financial assistance, which are carried out on a continuing or recurring basis and are expected to extend over a period of time. The loans under the [**REDACTED**] Equity Incentive Plan extended to related parties, are one-off transactions which have been entered into prior to [**REDACTED**] and thus, are not subject to the requirements under Chapter 14A of the Listing Rules. Since the loans to related parties will not be recurring after [**REDACTED**], they will not constitute continuing connected transactions subject to relevant requirements under Chapter 14A of the Listing Rules after [**REDACTED**].

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.

(c) Other transactions with a related party

On 7 August 2020, the Group entered into a lease agreement with Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. ("**Shanghai Huazhou**") which is controlled by Suzhou Frontline II, the shareholder of the Group, pursuant to which, the Group had additions to right-of use assets of RMB2,470,000 and additions to lease liabilities of RMB2,470,000.

On 11 May 2021, the Group entered into another lease agreement with Shanghai Huazhou, pursuant to which, the Group had additions to right-of use assets of RMB104,000 and additions to lease liabilities of RMB104,000.

At the end of each of the Relevant Periods, the amounts of lease liabilities are RMB1,329,000 and RMB409,000, respectively.

During the Relevant Periods, the amounts of interest expense on lease liabilities are RMB82,000 and RMB42,000, respectively.

(d) Compensation of key management personnel of the Group

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	12,382	16,850
Pension scheme contributions	362	380
Share based payment expenses	34,470	65,877
	47,214	83,107

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

28. Financial Instruments by Category

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

The Group

As at 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL	405,492	–	405,492
Amounts due from related parties	–	10,172	10,172
Financial assets included in prepayments, other receivables and other assets	–	3,850	3,850
Time deposits over three months	–	769,648	769,648
Cash and cash equivalents	–	203,130	203,130
	405,492	986,800	1,392,292

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	**Financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	–	10,053	10,053
Convertible redeemable preferred shares	2,242,924	–	2,242,924
	2,242,924	10,053	2,252,977

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Trade receivables	–	98	98
Financial assets at FVTPL	43,496	–	43,496
Amounts due from related parties	–	25,281	25,281
Financial assets included in prepayments, other receivables and other assets	–	7,334	7,334
Time deposits over three months	–	567,145	567,145
Cash and cash equivalents	–	465,866	465,866
	43,496	1,065,724	1,109,220

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Financial liabilities included in trade and other payables	–	55,753	55,753
Convertible redeemable preferred shares	2,570,021	–	2,570,021
	2,570,021	55,753	2,625,774

The Company

As at 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets at FVTPL	385,415	–	385,415
Amount due from a subsidiary	–	24	24
Time deposits over three months	–	769,648	769,648
Cash and cash equivalents	–	2,394	2,394
	385,415	772,066	1,157,481

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Amounts due to subsidiaries	–	641	641
Convertible redeemable preferred shares	2,242,924	–	2,242,924
	2,242,924	641	2,243,565

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets at FVTPL	3,291	–	3,291
Amount due from a subsidiary	–	10,024	10,024
Time deposits over three months	–	567,145	567,145
Cash and cash equivalents	–	324,559	324,559
	3,291	901,728	905,019

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Amounts due to subsidiaries	–	8,647	8,647
Financial liabilities included in trade and other payables	–	18,729	18,729
Convertible redeemable preferred shares	2,570,021	–	2,570,021
	2,570,021	27,376	2,597,397

29. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets (in the current portion), financial liabilities included in trade and other payables and lease liabilities (in the current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for 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 following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets and amounts due from related parties have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in unlisted investments, which represent financial products issued by the bank. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. Further details are set out in note 18 to the Historical Financial Information.

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including discounted cash flow method and back-solve method, and is within Level 3 fair value measurement. Further details are set out in note 21 to the Historical Financial Information.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial products	–	405,492	–	405,492

As at 31 December 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*
Financial products	–	43,496	–	43,496

Liabilities measured at fair value:

As at 31 December 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*
Convertible redeemable preferred shares	–	–	2,242,924	2,242,924

As at 31 December 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*
Convertible redeemable preferred shares	–	–	2,570,021	2,570,021

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.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, time deposits over three months, financial assets at FVTPL, trade receivables and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, other receivables and other assets and financial liabilities included in trade and other 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

The Group has transactional currency exposures. Such exposures arise from changes in exchange rates.

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 (arising from USD denominated financial instruments) and the Group's equity. For the purpose of internal foreign exchange rate risk management, the effect of foreign exchange on convertible redeemable preferred shares is excluded.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
31 December 2021			
If RMB weakens against USD	5	(47,004)	47,004
If RMB strengthens against USD	(5)	47,004	(47,004)
31 December 2022			
If RMB weakens against USD	5	(32,571)	32,571
If RMB strengthens against USD	(5)	32,571	(32,571)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, 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 financial assets, which comprise cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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.

The Group

As at 31 December 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
Amounts due from related parties – normal*	10,172	–	–	–	10,172
Financial assets included in prepayments, other receivables and other assets – normal*	3,850	–	–	–	3,850
Time deposits over three months – not yet past due	769,648	–	–	–	769,648
Cash and cash equivalents – not yet past due	203,130	–	–	–	203,130
	986,800	–	–	–	986,800

As at 31 December 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*
Amounts due from related parties – normal*	25,281	–	–	–	25,281
Financial assets included in prepayments, other receivables and other assets – normal*	7,334	–	–	–	7,334
Time deposits over three months – not yet past due	567,145	–	–	–	567,145
Cash and cash equivalents – not yet past due	465,866	–	–	–	465,866
Trade receivables	–	–	–	98	98
	1,065,626	–	–	98	1,065,724

* The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from related parties 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. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There is concentration in credit risks as the balances are with a few counterparties. Except for cash and cash equivalents, the other balances are not material.

Liquidity risk

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

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

	As at 31 December 2021			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	10,053	–	–	10,053
Lease liabilities	4,860	10,940	17,220	33,020
Convertible redeemable preferred shares	–	2,547,632	–	2,547,632
	14,913	2,558,572	17,220	2,590,705

	As at 31 December 2022			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	57,599	–	–	57,599
Lease liabilities	10,088	35,310	12,273	62,671
Convertible redeemable preferred shares	–	2,658,359	–	2,658,359
	67,687	2,693,669	12,273	2,778,629

Capital management

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

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

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Total assets	1,494,881	1,446,805
Total liabilities	2,285,390	2,693,121
Gearing ratio *(note)*	153%	186%

Note: Gearing ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

31. Event After the Relevant Periods

(a) Pursuant to the shareholders' resolution dated [●], each share in the Company's issued and unissued share capital was divided into [**REDACTED**] shares of the corresponding class with par value US$[**REDACTED**] each.

32. 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 31 December 2022.