You should read the following discussion and analysis with our audited historical financial information, including the *notes thereto, included in the Accountants' Report in Appendix I to this document. Our historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

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

For the purpose of this section, unless the context otherwise requires, references to 2021 and 2022 refer to our financial year ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Founded in 2016, we are a science-driven, clinical-stage biotechnology company. We have two Core Products: Core Product LAE002 is an adenosine triphosphate (ATP) competitive AKT inhibitor for the treatment of ovarian cancer, prostate cancer, breast cancer and PD-1/PD-L1 drug-resistant solid tumors. The other Core Product LAE001 is an androgen synthesis inhibitor that simultaneously inhibits cytochrome P450 family 17 subfamily A member 1 (CYP17A1) and cytochrome P450 family 11 subfamily B member 2 (CYP11B2) for the treatment of prostate cancer. Our infrastructure has already enabled the rapid development of 16 product candidates, including one registrational clinical trial and another five clinical trials for our Core Products. Among these six clinical trials, three are multi-regional clinical trials (MRCTs) designed to address global medical needs in the standard of care (SOC)-resistant cancers.

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We were not profitable and incurred operating losses during the Track Record Period. For the years ended December 31, 2021 and 2022, we incurred loss of RMB749.0 million and RMB781.6 million, respectively. We recorded losses as a result of significant research and development expenses, administrative expenses and fair value changes on financial instruments issued to investors.

We expect to incur significant amount of expenses and operating losses for at least the next several years as we further our pre-clinical research efforts, continue the clinical development of, and seek regulatory approvals for our drug candidates before commercializing any approved products. Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a [**REDACTED**] company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, regulatory approval timeline and commercialization of our future approved drugs.

BASIS OF PRESENTATION AND PREPARATION

We recorded net liabilities of RMB1,111.2 million and RMB1,905.1 million as of December 31, 2021 and 2022, respectively, and incurred recurring losses from operations since incorporation. Our historical financial information has been prepared on a going concern basis as the directors of the Company believe that the Preferred Shares will not be redeemed within the next twelve months from December 31, 2022. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due and to sustain its operations for the foreseeable future, after reviewing the Group's cash flow projection and taking into account the expected working capital requirements covering the next twelve months from December 31, 2022.

Our historical financial information has been prepared in accordance with applicable International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions, have been adopted by us in the preparation of the consolidated financial information. The consolidated financial information has been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value, as explained in the respective accounting policies in the Accountants' Report in Appendix I to this document. Our consolidated financial information is presented in RMB and all values are rounded to the nearest thousand except as otherwise indicated. The preparation of the consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021 and 2022 and our consolidated statements of financial position as of December 31, 2021 and 2022 have been derived from the Accountants' Report included in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

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

We set forth below certain accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our historical financial information. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Significant Accounting Policies

Intangible Assets

Research and Development Expenditures

We incur significant costs and efforts on research and development activities, which include expenditures on drug products. Research expenditures are charged to profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug product and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) our intention to complete the development project to use or sell it;

(iii) our ability to use or sell the development project;

(iv) how the development project will generate probable future economic benefits for us;

(v) our availability of adequate technical, financial and other resources to complete the development and to use or sell the development project; and

(vi) the ability to measure reliably the expenditures attributable to the development project.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. We generally consider capitalization criteria for internally generated intangible assets is met when regulatory approval of a new drug license is obtained.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization shall begin when the asset is available for commercial use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses. Please see Note 2(h)(ii) to the Accountants' Report in Appendix I to this document for further discussions on impairment of other non-current assets.

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred, and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

In-licenses

Intangible assets acquired separately are measured at cost on initial recognition.

Certain intangible assets are for licenses of intellectual properties in development, with non-refundable upfront payments, milestone payments and royalty payments. Upfront payments are capitalized when paid. Milestone payments are capitalized as intangible assets when incurred and enhanced the expected future economic benefits of the intangible assets, unless the payments are for outsourced research and development work which would follow the capitalization policy in Note 2(f)(i) to the Accountants' Report in Appendix I to this document. Royalty payments would be accrued for in line with the underlying sales and recognized as a cost of sales.

The intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized when ready for commercial use and over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives or not ready for commercial use will not be amortized but tested for impairment annually either individually or at the cash generating unit level. The impairment test would compare the recoverable amount of the in-licensed asset to its carrying value. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Computer software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses (see Note 2(h)(ii) to the Accountants' Report in Appendix I to this document). We amortized on a straight-line basis over their estimated useful lives of five years based on the current functionalities and the daily operation needs of the software.

Both the period and method of amortization are reviewed annually.

Leased Assets

At the inception of a contract, we assess whether the 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. Control is conveyed where the customer has both the rights to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease component as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where a lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized, when a lease is capitalized, is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h)(ii) to the Accountants' Report in Appendix I to this document for further details).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether we will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, we have taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

Credit Losses and Impairment of Assets

Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents and other receivables). Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group or the Company in accordance with the contract and the cash flows that the Group or the Company expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fix-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group or the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For all financial assets, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Financial Instruments Issued to Investors

Financial instruments issued to investors consist of preferred shares and a warrant for purchase of ordinary shares and preferred shares.

(i) Preferred shares

A preferred share is classified as a financial liability if the Company is required to be liquidated upon events beyond its control and the preferred share is not in the most subordinated class of instruments issued by the Company. The financial liability is mandatorily measured at fair value through profit or loss, if any embedded derivative required to be separated cannot be measured reliably; otherwise, the embedded derivatives are measured at fair value through profit or loss and the host debt is initially measured at fair value and subsequently at amortized cost.

(ii) Warrant

During the Track Record Period, the Company issued a warrant under which the holder has the right to subscribe for the Company's ordinary shares and preferred shares at a predetermined price during a specific period.

A warrant is classified as a financial liability if it will not be settled only by the Company exchanging a fixed number of cash or another financial asset for a fixed number of its own equity instruments. A warrant liability is initially recognized at fair value on the date a warrant contract is entered into and is subsequently re-measured to its fair value at the end of each reporting period. Changes in fair value are recognized in profit or loss.

The preferred shares and the warrant were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer which has appropriate qualifications and experience in valuation of similar instruments. The Company used the back-solve method and income approach to determine the underlying share value of the Company and performed an equity allocation based on a hybrid method of Binomial Option Pricing model (OPM model) and Probability Weighted Expected Return method (PWERM method) to arrive the fair value of the preferred shares and the warrant as at the dates of issuance and at the end of each reporting period. Should any of the key valuation assumptions used to determine the fair value of these financial instruments issued to investors changed, it may lead to a change in the fair value of financial instruments issued to investors. The fair value of the preferred shares and the warrant of the Group are set out in Notes 21 and 24(e) to the Accountants' Report in Appendix I to this document.

Share-based Payments

The fair value of share options granted to employee is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vested (with a corresponding adjustment to the capital reserve) except for forfeitures due to failures to meet vesting conditions relating to the market price of the Company's shares. The equity amount is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in separate financial statements of the Company.

Government Grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are presented in the consolidated statements of financial position by setting up the grant as deferred income and consequently are effectively recognized in profit or loss on a systematic basis over the useful life of the asset.

Critical Accounting Judgments and Estimates

Research and Development Expenses

Development expenses incurred on our pipeline are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure the reliably of expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalization. All development expenses were expensed when incurred during the Track Record Period.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized for deductible temporary differences and cumulative tax losses. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is reviewed from time to time and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Impairment of Intangible Assets Not Ready For Commercial Use

Intangible assets not ready for commercial use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. We obtained in-licenses through acquisition for the purpose of continuing the research and development work and commercialization of the products, which are classified as intangible assets not ready for use.

An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an intangible asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, each in-license is recognized as a cash-generating unit.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and the period-to-period comparability of our financial results have been, and are expected to continue to be, principally affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below. Our fair value changes in financial instruments issued to investors are mainly associated with the changes in our Company's valuation. The financial instruments issued to investors will be converted into Shares upon the [**REDACTED**], which will result in a net asset position, and we will recognize no further loss or gain on fair values changes from such financial instruments issued to investors post [**REDACTED**].

Our Ability to Successfully Develop Our Drug Candidates

Our business and results of operations depend on our ability to successfully develop our drug candidates. As of the Latest Practicable Date, we have strategically developed a pipeline of 16 product candidates, including our Core Products LAE002 and LAE001. Our drug candidates are developed both as monotherapy and combination therapy with a focus on the treatment of cancers and liver fibrosis. Since our inception, we have obtained over eight IND approvals from the FDA and the NMPA and have initiated six clinical trials, including three MRCTs across China, the U.S. and other jurisdictions. For more information on the development status of our various drug candidates, see "Business – Drug Candidates." Our business and results of operations depend on our drug candidates demonstrating favorable safety and efficacy clinical trial results, and our ability to obtain the requisite regulatory approvals for our drug candidates.

Our Ability to Commercialize Our Products and Drug Candidates

All of our drug candidates are in either clinical or pre-clinical stage. Although we currently have no product approved for commercial sale and have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years as they move towards the final stages of development. Our ability to generate revenue from our drug candidates is dependent on the degree of market acceptance, as well as our ability to establish manufacturing capabilities and sales channels, and undertake extensive sales and marketing efforts.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing. Going forward, in the event of the successful commercialization of one or more of our drug candidates, we expect to primarily fund our operations with revenue generated from sales of our commercialized drug products. However, with the continuing expansion of our business, we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

Our Research and Development Expenses

We believe our ability to successfully develop drug candidates is the primary factor affecting our long-term competitiveness, as well as our future growth and development. Developing high-quality drug candidates requires significant investments of financial resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. As a result of this commitment, our pipeline of pre-clinical and clinical stage drug candidates has been steadily advancing and expanding. Our operations have consumed substantial amounts of cash since inception. Net cash used in our operations was RMB198.0 million and RMB306.3 million in 2021 and 2022, respectively. We expect our expenditures to increase significantly in connection with our ongoing activities, particularly as we advance the clinical development of our clinical assets and continue research and development of our pre-clinical assets. In addition, we may from time to time initiate additional clinical trials of, and seek regulatory approvals for, our current pipeline products and future drug candidates. These expenditures may include the following, among others:

- expenses incurred for payments to CROs, SMOs and CDMOs, investigators and clinical trial sites that conduct our clinical studies;
- employee related expenses, including salaries, benefits and equity compensation expenses;
- licensing fees to collaboration partners, including milestone payment and royalty payment, whereas applicable;
- costs associated with pre-clinical activities;
- expenses associated with the construction and maintenance of our manufacturing facilities;
- costs of acquiring, developing, and manufacturing clinical study materials;
- facilities, depreciation, and other expenses, which include office leases and other overhead expenses; and
- expenses associated with operating as a [**REDACTED**] company.

Potential Competition Upon Commercialization

The development and commercialization of innovative drugs is highly competitive. We face competition from global and China-based pharmaceutical and biotechnology companies, in particular companies currently marketing products or expect to be marketing products that compete or may compete directly or indirectly with our drug candidates. There are a number of pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for indications for which we are developing our drug candidates. Please refer to "Market Opportunity and Competition" for details of our major competitors for each drug candidate and "Risk Factors – Risks Relating to Our Pre-clinical and Clinical Development of Our Drug Candidates – We face substantial competition and our competitors may discover, develop or commercialize competing drugs earlier or more successfully than we do." for further details of the risks associated with potential competition. Our commercial opportunity could be reduced or eliminated if our competitors develop or market products or other novel therapies that are more effective, safer or less costly than our current or future drug candidates, or obtain regulatory approvals or market penetration for their products more rapidly than we do for our drug candidates.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Other income	520	4,798
Other losses	(990)	(4,353)
Administrative expenses	(51,884)	(80,238)
Research and development expenses	(173,256)	(313,356)
Loss from operations	**(225,610)**	**(393,149)**
Finance costs	(922)	(1,389)
Fair value changes on financial instruments issued to investors	(522,432)	(387,056)
Loss before taxation	**(748,964)**	**(781,594)**
Income tax	–	–
Loss for the year	**(748,964)**	**(781,594)**
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	10,781	(71,656)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	8,156	(48,947)
Total comprehensive loss for the year	**(730,027)**	**(902,197)**

Exchange differences on translation of financial statements of foreign entities, including the Company and foreign subsidiaries, represented the entities' resulting exchange differences from (i) the USD results of foreign operations being translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions and (ii) USD statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period, which are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

Other Income

Our other income primarily consists of interest income from bank deposits, realized gain on wealth management products, net gain on termination of leases and government grants. Government grants mainly represent subsidies received from local governments for the purpose of promoting research and clinical trial activities in the form of allowance for new drug development and talents. During the Track Record Period, most of the government grants were received from authorities in Shanghai, China. Net gain on termination of leases represents the gain we recognized based on the difference between the carrying amount of the right-of-use assets and the lease liabilities and deduction of estimated penalties in relation to a lease agreement on which we have delivered a termination notice to the lessor in 2022.

In 2021, we mainly used bank deposits to preserve our funds. As a result, there was no realized gain on wealth management products in 2021. In 2022, we purchased short-term wealth management products in order to generate reasonable low-risk returns. With regards to the purchase of wealth management products, we have formulated the investment policy of diversifying risks and generating steady returns on the premise of ensuring the safety of funds.

Our Chief Executive Officer and the finance department are mainly responsible for making, implementing and supervising our investment decisions. We have implemented the following treasury policies and internal authorization controls:

- We have formulated the internal control measures to control our process of investment in wealth management products;

- Our Board authorizes and supervises the Chief Financial Officer to approve through a strict review and decision-making process, and our Chief Executive Officer is responsible for the approval of our material investments in wealth management products;

- Our finance department is responsible for the analysis and research of investments in wealth management products, as well as the long-term routine management of such investments; and

- Investments in wealth management products could be made when we have surplus cash that is not required for our short-term working capital purposes and in no event beyond the amount authorized by our senior management team.

Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such wealth management products. We adopt a prudent approach in investing wealth management products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of the investment and the expected returns. To control our risk exposure, we have in the past sought, and may continue in the future to seek other low-risk wealth management products with terms not longer than twelve months and may continue to invest in similar wealth management products using our surplus cash. Our investments in wealth management products after the [**REDACTED**] will be subject to compliance with Chapter 14 of the Listing Rules.

The following table sets forth a breakdown of our other income for the periods indicated.

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Interest income from bank deposits	409	823
Realized gain on wealth management products	–	42
Net gain on termination of leases	–	3,653
Government grants	111	280
Total	**520**	**4,798**

Other Losses

Our other losses primarily consist of net foreign exchange loss and impairment loss on property, plant and equipment. The following table sets forth a breakdown of our other losses for the periods indicated.

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Net foreign exchange loss	989	3,544
Impairment loss on property, plant and equipment	–	807
Others	1	2
Total	**990**	**4,353**

Administrative Expenses

Our administrative expenses primarily consist of staff costs, equity settled share-based payments, rental expenses, office and utility expenses, depreciation and amortization expenses, professional service expenses, [**REDACTED**] expenses and others. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Staff costs	19,177	30,052
Equity settled share-based payments	6,004	10,069
Rental expenses	868	1,844
Office and utility expenses	1,882	1,626
Depreciation and amortization expenses	2,178	1,162
Professional service expenses	20,313	9,481
[**REDACTED**] expenses	–	23,896
Others	1,462	2,108
Total	**51,884**	**80,238**

Research and Development Expenses

Our research and development expenses primarily consist of staff costs, equity settled share-based payments, discovery research expenses, clinical development expenses, depreciation and amortization expenses and others. Our research and development expenses increased significantly during the Track Record Period primarily attributable to (i) increases in clinical development expenses and discovery research expenses incurred due to clinical trials for our Core Products and pre-clinical trials for our drug candidates such as LAE102 and (ii) an increase in staff costs incurred due to the expansion of our R&D team. The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Staff costs	36,695	61,571
Equity settled share-based payments	6,023	16,392
Discovery research expenses	21,629	73,239
Clinical development expenses	102,563	153,648
Depreciation and amortization expenses	3,648	5,505
Others	2,698	3,001
Total	**173,256**	**313,356**

Finance Costs

Our finance costs consist of interest on bank loans and interest on lease liabilities. The following table sets forth the components of our finance costs for the periods indicated.

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Interest on bank loans	29	173
Interest on lease liabilities	893	1,216
Total	**922**	**1,389**

Fair Value Changes on Financial Instruments Issued to Investors

Our fair value changes on financial instruments issued to investors resulted from changes in fair value of preferred shares and a warrant issued to investors.

The following table sets forth the components of our fair value changes on financial instruments issued to investors for the periods indicated.

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Fair value changes on Preferred Shares	474,394	378,308
Fair value changes on Warrant	48,038	8,748
Total	**522,432**	**387,056**

Since 2018, we have issued a series of Series Seeds Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, and Series D Preferred Shares to our Series Seeds investors, Series A investors, Series B investors, Series C investors, and Series D investors, respectively. For more details regarding preferred shares, please see "History, Development and Corporate Structure – [**REDACTED**] Investments" in this document. We designated the entire instrument of the preferred shares as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognized in profit or loss. Subsequent to initial recognition, the fair value change of preferred shares is recognized in profit or loss except for the portion attributable to credit risk change which will be recognized to other comprehensive income, if any. The Preferred Shares will be converted into Shares upon [**REDACTED**], after which we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares.

On January 31, 2019, we entered into a warrant agreement with an individual investor pursuant to which we issued a warrant to such investor for a cash consideration of RMB11.7 million. Pursuant to such warrant agreement, the warrant holder may exercise the warrant to purchase 1,166,525 ordinary shares and 338,273 Series Seeds Preferred Shares for nil consideration on or before the 90th day after our board approves to initiate an [**REDACTED**] of our shares. The warrant is initially recognized at fair value on the date of issuance and is subsequently re-measured to the fair value at the end of each reporting period. We have engaged an independent qualified professional valuer to determine the fair value of the warrant. For additional information, see Note 21(b) of the Accountants' Report set out in Appendix I to this document. On March 31, 2022, such warrant was exercised. Please refer to the section headed "History, Development and Corporate Structure – Establishment, Major Shareholding Changes and Development of Our Group" in this document for more details.

Financial Assets and Liabilities Measured At Fair Value

Fair Value Hierarchy

The following table presents the fair value of our financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; or

– Level 3 valuations: Fair value measured using significant unobservable inputs.

We have engaged an external valuer to perform valuations for the financial instruments, including but not limited to the warrant and preferred shares. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each reporting date, and is reviewed and approved by our management.

	Fair Value as of December 31, 2021	Fair Value Measurements As of December 31, 2021 Categorized Into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial instruments issued to investors				
– Preferred shares	1,402,111	–	–	1,402,111
– Warrant	98,429	–	–	98,429

	Fair Value as of December 31, 2022	Fair Value Measurements As of December 31, 2022 Categorized Into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial instruments issued to investors				
– Preferred shares	2,277,281	–	–	2,277,281

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of fair value hierarchy as of the end of each reporting period in which they occur.

During the Track Record Period, we had certain financial liabilities categorized within Level 3 of fair value measurement ("**Level 3 Financial Liabilities**"). Our Level 3 Financial Liabilities include financial instruments issued to investors consisting of Preferred Shares and a warrant to purchase Shares and Preferred Shares. The Preferred Shares and the warrant were valued by our Directors with reference to valuation reports carried out by an independent qualified professional valuer. We used the back-solve method and income approach to determine the underlying share value of our Company and performed an equity allocation based on a hybrid method of Binomial Option Pricing model (OPM model) and Probability Weighted Expected Return method (PWERM method) to arrive the fair value of the Preferred Shares and the warrant as of the dates of issuance and at the end of each reporting period. Key valuation assumptions used to determine the fair value of these financial instruments issued to investors are as follows:

	As of December 31,	
	2021	**2022**
Risk-free interest rate	1.06%	4.32%
Volatility	40.50%	45.54%

As of December 31, 2021, increasing/decreasing expected volatility by 5% would decrease/increase the fair value of financial instruments by RMB986,000 and RMB331,000 respectively, and increasing/decreasing risk free rate by 1% would decrease/increase the fair value by RMB2,697,000 and RMB2,781,000 respectively.

As of December 31, 2022, increasing/decreasing expected volatility by 5% would decrease/increase the fair value of financial instruments by RMB149,000 and RMB594,000 respectively, and increasing/decreasing risk free rate by 1% would decrease/increase the fair value by RMB2,717,000 and RMB2,788,000 respectively.

Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, are disclosed in Note 24(e) of the Accountants' Report set out in Appendix I to this document. The Reporting Accountants performed its work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical information for the Track Record Period as a whole, and its opinion on the Group for the Track Record Period as a whole is set out in the Accountants' Report in Appendix I to this document.

In relation to the valuation of the Level 3 Financial Liabilities, with reference to the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC, our Directors have adopted the following procedures: (i) reviewing the terms of the relevant agreements and documents regarding the financial liabilities; (ii) engaging an independent valuer to perform valuation procedures with necessary financial and non-financial information and discussing with the valuer on the relevant assumptions; (iii) obtaining sufficient understanding of the valuation model, methodologies and techniques on which the valuation is based; and (iv) reviewing the valuation works and results and the financial statements prepared in accordance with IFRS. Based on the above procedures, our Directors are of the view that the valuation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. In addition, our Directors are satisfied with the valuation work for the Level 3 Financial Liabilities performed during the Track Record Period.

In relation to the fair value assessment of the financial liabilities requiring Level 3 measurements under the fair value classification, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) obtaining and reviewing the terms of the relevant [**REDACTED**] Investments and warrant agreement; (ii) discussing with the management of our Company to understand the methodology, assumptions and information relied upon in respect of our valuation of the Level 3 Financial Liabilities of our Group and our views on the fairness and reasonableness of the assumptions, basis and approaches of the valuation; (iii) discussing with the management of our Company to understand the work performed in relation to such valuation; (iv) discussing with the Reporting Accountants to understand the work they have performed in this regard; and (v) reviewing the relevant notes in the Accountants' Report as contained in Appendix I to this document and the Reporting

Accountants' opinion on the historical financial information as a whole for the Track Record Period. Based upon the due diligence work conducted by the Sole Sponsor as stated above, and having considered the views of the Directors, nothing material has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation in respect of the financial assets requiring Level 3 measurements under the fair value classification.

Income Tax

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

We are 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, we are not subject to tax on income or capital gains.

Hong Kong

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

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in PRC are subject to income tax at the rate of 25% on the taxable income.

United States

Our subsidiary incorporated in the United States is subject to Federal Tax at a rate of 21% and State Profits Tax at a rate of 0.75% to 9.99%, during the Track Record Period on the estimated assessable profits arising in the United States.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Other Income

Our other income increased significantly from RMB0.5 million in 2021 to RMB4.8 million in 2022, primarily due to an increase of RMB3.7 million in net gain on termination of leases and an increase of RMB0.4 million in interest income from bank deposits.

Other Losses

Our other losses increased significantly from RMB1.0 million in 2021 to RMB4.4 million in 2022, as a result of (i) the unrealized net foreign exchange losses due to fluctuations in foreign currency exchange rates and (ii) impairment loss on construction in progress in relation to our previously planned manufacturing facility.

Administrative Expenses

Our administrative expenses increased by 54.5% from RMB51.9 million in 2021 to RMB80.2 million in 2022, primarily due to (i) an increase of RMB10.9 million in staff costs due to an increase in our total headcount to support growth of our business, and (ii) an increase of RMB[**REDACTED**] in [**REDACTED**] expenses.

Research and Development Expenses

Our research and development expenses increased by 80.8% from RMB173.3 million in 2021 to RMB313.4 million in 2022, primarily due to (i) increases of RMB102.7 million in clinical development expenses and discovery research expenses incurred mainly from clinical trials for our Core Products, especially Phase II clinical trials for LAE002, and pre-clinical trials for our drug candidates such as LAE102, (ii) an increase of RMB24.9 million in staff costs mainly as a result of the expansion of our average R&D staff size by 55% from 2021 to 2022, and (iii) an increase of RMB10.4 million in equity settled share-based payments due to increases in the number and value of Share Options granted in 2022.

Finance Costs

Our finance costs increased by 55.6% from RMB0.9 million in 2021 to RMB1.4 million in 2022. This increase was primarily due to (i) an increase of RMB323 thousand in interest on lease liabilities, which primarily arose from the lease agreement we renewed in 2021 in relation to our office in Shanghai, and (ii) an increase of RMB144 thousand in interest on bank loans.

Fair Value Changes on Financial Instruments Issued to Investors

Our fair value changes on financial instruments issued to investors decreased by 25.9% from RMB522.4 million in 2021 to RMB387.1 million in 2022. This decrease was primarily because of the slowdown in valuation growth of our financial instruments issued to investors.

Loss for the Year

For the reasons described above, our loss for the year increased by 4.4% from RMB749.0 million in 2021 to RMB781.6 million in 2022.

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

During the Track Record Period, we maintained a net liabilities position, primarily due to the recognition of financial instruments issued to investors as our non-current liabilities. The following table sets forth our consolidated statements of financial position as of the dates indicated.

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	5,768	5,273
Intangible assets	110,315	123,631
Right-of-use assets	23,911	8,246
Other non-current assets	9,954	8,083
Total non-current assets	**149,948**	**145,233**
Current assets		
Prepayments and other receivables	12,485	11,561
Cash and cash equivalents	296,412	323,070
Total current assets	**308,897**	**334,631**
Current liabilities		
Bank loans	2,000	19,782
Other payables	38,131	75,868
Lease liabilities	1,859	1,859
Total current liabilities	**41,990**	**97,509**
NET CURRENT ASSETS	**266,907**	**237,122**

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Total assets less current liabilities	**416,855**	**382,355**
Non-current liabilities		
Lease liabilities	23,984	6,660
Deferred income	3,500	3,500
Financial instruments issued to investors	1,500,540	2,277,281
Total non-current liabilities	**1,528,024**	**2,287,441**
NET LIABILITIES	**(1,111,169)**	**(1,905,086)**
Capital and Reserves		
Share capital	4	5
Reserves	(1,111,173)	(1,905,091)
TOTAL DEFICIT	**(1,111,169)**	**(1,905,086)**

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

	As of December 31,		As of April 30,
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Current assets			
Prepayments and other receivables	12,485	11,561	12,885
Cash and cash equivalents	296,412	323,070	221,986
Total current assets	**308,897**	**334,631**	**234,871**
Current liabilities			
Bank loans	2,000	19,782	29,959
Other payables	38,131	75,868	42,680
Lease liabilities	1,859	1,859	1,850
Total current liabilities	**41,990**	**97,509**	**74,489**
NET CURRENT ASSETS	**266,907**	**237,122**	**160,382**

We maintained a net current assets position during the Track Record Period. The decrease in net current assets during the Track Record Period were primarily due to the increase in other payables. For more details on the change in our other payables, please see "– Other Payables." As of April 30, 2023, our current assets and current liabilities were RMB234.9 million and RMB74.5 million, respectively.

Property, Plant and Equipment

Property, plant and equipment primarily consist of laboratory equipment, electronics and office equipment. Our property, plant and equipment decreased from RMB5.8 million as of December 31, 2021 to RMB5.3 million as of December 31, 2022 primarily in relation to the impairment loss on construction in progress concerning our previously planned manufacturing facility.

Intangible Assets

Intangible assets consist of (i) our in-licensed rights in relation to LAE001, LAE002, LAE003 and LAE005, and (ii) the clinical data analysis software we purchased in 2021 and the molecular operating environment software and a series of software for clinical development we purchased in 2022. The following table sets forth our intangible assets as of the dates indicated.

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
In-licensed rights	108,661	118,698
Software	1,654	4,933
Total	**110,315**	**123,631**

Our intangible assets increased from RMB110.3 million as of December 31, 2021 to RMB123.6 million as of December 31, 2022 primarily due to the molecular operating environment software and a series of software for clinical development we purchased in 2022.

We tested intangible assets not yet ready for commercial use annually, based on the recoverable amount of the cash-generating unit ("**CGU**") to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test was performed for each drug by engaging an independent appraiser to estimate fair value less costs of disposal as the recoverable amount of each drug. The fair value is based on the multi-period excessive earning method, and we estimated the forecast period till year 2035 for each drug based on the progress of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each product. The estimated revenue of each drug is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes.

In order to perform the impairment assessment, we prepared cash flow projections of each of the pipeline products as of December 31, 2021 and 2022, respectively, in which we applied success rates for each of the pipeline products based on the specific clinical trial stage as of December 31, 2021 and 2022. As a result, specific risk associated with a particular pipeline product has been considered in the risk adjusted cash flow projections. In this regard, the discount rates used only reflect the general business and market risk of us. The discount rates are derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium, etc. The discount rates derived at each reporting date were 18% as there was no significant change in the above market data used to determine the discount rate throughout the Track Record Period.

The estimated range of revenue growth rate of LAE005 remained the same during the Track Record Period as there was no significant change in the key assumptions used to derive such rate range: (1) the R&D progress of LAE005 was in line with management expectation and the expected timing of commercialization of LAE005 remained the same, and (2) the market size of LAE005 in patients with TNBC has not significantly changed.

The key assumptions used for recoverable amount calculations as of December 31, 2021 and 2022 are as follows:

	As of December 31,	
	2021	**2022**
	RMB'000'000, except for percentages	
LAE001		
Discount rate	18%	18%
Revenue growth rate	-14% to 373%	-14% to 379%
Recoverable amount of CGU	501.5	573.6
LAE002 & LAE003		
Discount rate	18%	18%
Revenue growth rate	-7% to 486%	-7% to 456%
Recoverable amount of CGU	1,035.9	1,252.1
LAE005		
Discount rate	18%	18%
Revenue growth rate	-18% to 24%	-18% to 24%
Recoverable amount of CGU	221.1	252.4

Based on the result of the above assessment, there were no impairment for the intangible assets as of December 31, 2021 and 2022.

We have performed sensitivity tests by increasing 1% of the discount rate or decreasing 1% of the revenue growth rate, which are the key assumptions for determining the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount is more than its carrying amount (headroom) are as below:

	As of December 31,	
	2021	**2022**
	RMB'000'000	*RMB'000'000*
LAE001		
Carrying amount	11.5	12.1
Headroom	490.0	561.5
Impact by increasing discount rate	(41.7)	(57.3)
Impact by decreasing revenue growth rate	(25.6)	(38.1)
LAE002 & LAE003		
Carrying amount	33.4	36.9
Headroom	1,002.5	1,215.2
Impact by increasing discount rate	(86.6)	(118.6)
Impact by decreasing revenue growth rate	(60.4)	(89.8)
LAE005		
Carrying amount	63.8	69.7
Headroom	157.3	182.7
Impact by increasing discount rate	(18.0)	(21.1)
Impact by decreasing revenue growth rate	(8.7)	(13.8)

Considering there was still sufficient headroom based on the assessment, we believe that a reasonably possible change in any of the key assumptions that we made for the determination of each intangible asset's recoverable amount would not cause such asset's carrying amount to exceed its recoverable amount.

For additional information, see Note 11(a)(iv) of the Accountants' Report set out in Appendix I to this document.

Right-of-use Assets

Right-of-use assets primarily consist of our rights to use underlying leased premises. Our right-of-use assets decreased from RMB23.9 million as of December 31, 2021 to RMB8.2 million as of December 31, 2022 primarily because we delivered a termination notice of the lease agreement for our previously planned manufacturing facility.

Prepayments and Other Receivables

Prepayments and other receivables primarily consist of (i) prepayments to suppliers engaged for our pre-clinical and clinical research and development, (ii) deferred [**REDACTED**] expenses and (iii) other debtors and deposits. Other debtors and deposits primarily represent our rental deposits. The following table sets forth our prepayments and other receivables as of the dates indicated.

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Prepayments to suppliers	11,336	4,267
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Other debtors and deposits	1,149	1,514
Total	**12,485**	**11,561**

Our prepayments and other receivables decreased from RMB12.5 million as of December 31, 2021 to RMB11.6 million as of December 31, 2022 primarily due to the decrease in prepayments to suppliers resulting from the fulfillment of contractual obligations under the service contract with a CDMO in relation to the pre-clinical development of LAE102, and partially offset by an increase in deferred [**REDACTED**] expenses.

Cash and Cash Equivalents

The following table sets forth a breakdown of our cash and cash equivalents by currency as of the dates indicated.

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Denominated in:		
RMB	34,557	25,383
USD	261,855	297,687
Cash and cash equivalents	**296,412**	**323,070**

Our cash and cash equivalents increased by 9.0% from RMB296.4 million as of December 31, 2021 to RMB323.1 million as of December 31, 2022, primarily due to the cash inflow from our Series D financing.

Bank Loans

The following table sets forth the breakdown of our interest-bearing bank borrowing as of the date indicated:

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Unsecured bank loan due within 1 year	2,000	19,782

We entered into a loan agreement with China Merchants Bank in 2021 with the principal amount of RMB2.0 million and bearing an interest rate of 4.5% per annum. Such bank loan was paid back on January 5, 2022.

On August 25, 2022, China Merchants Bank granted us a banking facility of RMB30.0 million, and we have utilized an aggregate principal amount of RMB19.8 million as of December 31, 2022, with the interest rates ranging from 2.75% to 4.35% per annum and the terms ranging from 6-month to one-year.

Other Payables

Our other payables primarily consist of (i) payroll payables, (ii) accrued research and development expenses and (iii) other payables and accrued charges. The following table sets forth a breakdown of our other payables as of the dates indicated.

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Payroll payables	5,883	14,700
Accrued research and development expenses	29,979	51,595
Other payables and accrued charges	2,269	9,573
Total	**38,131**	**75,868**

Our other payables increased by 99.2% from RMB38.1 million as of December 31, 2021 to RMB75.9 million as of December 31, 2022, primarily due to (i) an increase of RMB8.8 million in payroll payables from RMB5.9 million as of December 31, 2021 to RMB14.7 million as of December 31, 2022, which was primarily driven by increase in the headcount, and (ii) an increase of RMB21.6 million in accrued research and development expenses from RMB30.0 million as of December 31, 2021 to RMB51.6 million as of December 31, 2022, which was primarily driven by the progresses in our research and development activities.

Lease Liabilities

The following table sets forth our lease liabilities as of the dates indicated.

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Current	1,859	1,859
Non-current	23,984	6,660
Total	25,843	8,519

Our lease liabilities decreased from RMB25.8 million as of December 31, 2021 to RMB8.5 million as of December 31, 2022 primarily because we delivered a termination notice of the lease agreement for our previously planned manufacturing facility.

Financial Instruments Issued to Investors

Our financial instruments issued to investors represent the carrying amount of preferred shares and a warrant issued pursuant to the [**REDACTED**] Investments. Our financial instruments issued to investors increased from RMB1,500.5 million as of December 31, 2021 to RMB2,277.3 million as of December 31, 2022 primarily due to (i) changes in the fair value of the Preferred Shares and the warrant issued to investors, and (ii) the issuance of Series D Preferred Shares in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In addition, we monitor the utilization of borrowings and, from time to time, evaluate the options to renew the borrowings upon expiry based on our actual business requirement. We relied on equity financing as the major sources of liquidity during the Track Record Period.

During the Track Record Period, we incurred negative cash flows from our operations and substantially all of our operating cash outflows resulted from our research and development expenses and administrative expenses. Our operating activities used RMB198.0 million and RMB306.3 million of cash in 2021 and 2022, respectively. We expect to generate operating income and improve our net operating cash outflow position through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency. In order to bring our research and development objectives to fruition, we will very likely need additional funding and there can be no assurances that such funding will be made available to us.

Cash Flows

The following table sets forth key items of our consolidated statements of cash flows for the periods indicated:

	For the Year Ended December 31,	
	2021	2022
	RMB'000	*RMB'000*
Operating activities		
Operating loss before changes in working capital	(208,166)	(364,675)
Changes in working capital	10,159	58,392
Income tax paid	–	–
Net cash used in operating activities	**(198,007)**	**(306,283)**
Investing activities		
Payment for purchase of property, plant and equipment	(7,317)	(2,983)
Payment for purchase of intangible assets	(1,804)	(2,102)
Interest received from bank deposits	409	823
Payment for purchase of wealth management products	–	(22,847)
Proceeds from disposal of wealth management products upon maturity	–	22,889
Net cash used in investing activities	**(8,712)**	**(4,220)**
Financing activities		
Proceeds from a bank loan	2,000	19,650
Repayment of a bank loan	–	(2,000)
Interest paid for a bank loan	(29)	(173)
Proceeds from issuance of preferred shares	412,538	301,028
Proceeds from shares issued under share option scheme	–	54
Payment for capital element of lease liabilities	(1,202)	(511)
Payment for interest element of lease liabilities	(893)	(439)
Payment for [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Net cash generated from financing activities	**412,414**	**312,580**
Net increase in cash and cash equivalents	205,695	2,077
Cash and cash equivalents at January 1	94,760	296,412
Effect of foreign exchange rate changes	(4,043)	24,581
Cash and cash equivalents at December 31	**296,412**	**323,070**

Operating Activities

In 2022, our net cash used in operating activities was RMB306.3 million, which was primarily attributable to our loss before taxation of RMB781.6 million, positively adjusted by (i) fair value changes on financial instruments issued to investors of RMB387.1 million, (ii) equity settled share-based payments of RMB26.5 million and (iii) depreciation of right-of-use assets of RMB3.3 million.

In 2021, our net cash used in operating activities was RMB198.0 million, which was primarily attributable to our loss before taxation of RMB749.0 million, positively adjusted by (i) fair value changes on financial instruments issued to investors of RMB522.4 million, (ii) equity settled share-based payments of RMB12.0 million, (iii) depreciation of right-of-use assets of RMB3.1 million and (iv) depreciation of property, plant and equipment of RMB2.6 million.

We plan to improve our net operating cash flow position in view of potential net operating cash inflow which we expect to generate through launching and commercializing our products and enhancing our cost control and operating efficiency. In particular, we plan to:

- Rapidly advance the clinical development and commercialization of our Core Products and other pipeline products after obtaining the relevant regulatory approvals. In particular, we are conducting the global Phase II registrational MRCT for our Core Product, LAE002, and aim to make NDA submission to the FDA and the NMPA in the fourth quarter of 2023. Leveraging our strong clinical and development capabilities, we expect to rapidly advance our Core Products and other pipeline products to achieve commercialization globally. After the commercialization of our products, we expect to generate more cash from our operating activities. We also plan to start educating target hospitals and physicians to prepare for the formal commercial launch in the following years. As we optimize our product portfolio and cost structure, increase the sales of our products, and continue to grow our business, we expect to generate a steady inflow of cash from operations in the foreseeable future; and

- Adopt comprehensive measures to effectively control our cost and operating expenses. For example, we plan to continue to regularly evaluate our existing and future arrangements and actively seek strategic cooperation with our major suppliers to improve procurement efficiency and lower our cost of procurement. In addition, we will build up our manufacturing capacity to reduce our reliance on CDMO to manufacture our products once approved and thus reduce expenditures.

Investing Activities

In 2022, our net cash used in investing activities was RMB4.2 million, which was primarily attributable to (i) payment for purchase of wealth management products, (ii) payment for purchase of property, plant and equipment, and (iii) payment for purchase of intangible assets, representing the purchase of R&D–related softwares, partially offset by proceeds from disposal of wealth management products upon maturity and interest received from bank deposits.

In 2021, our net cash used in investing activities was RMB8.7 million, which was primarily attributable to payment for purchase of property, plant and equipment and payment for purchase of intangible assets, representing the purchase of clinical data analysis software, partially offset by the interest received from banks.

Financing Activities

During the Track Record Period, we derived our cash inflows from financing activities primarily from the issuance of preferred shares.

In 2022, we had RMB312.6 million of net cash generated from financing activities, primarily attributable to proceeds from the issuance of preferred shares of RMB301.0 million and proceeds from bank loans of RMB19.7 million.

In 2021, we had RMB412.4 million of net cash generated from financing activities, primarily attributable to proceeds from the issuance of preferred shares of RMB412.5 million and proceeds from bank loans of RMB2.0 million.

CASH OPERATING COSTS

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

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Research and Development Costs for ***Core Products***		
Staff costs	24,215	39,225
Discovery research	–	–
Clinical development	81,620	125,604
Others	1,379	1,855

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Other Product Candidates		
Staff costs	10,217	16,390
Discovery research	23,367	57,485
Clinical development	9,402	13,406
Others	689	1,398
Total Research and Development Costs	**150,899**	**255,363**
Workforce employment cost	17,970	27,191
Non-income taxes and royalties	27	110
Total	**168,886**	**282,664**

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to us, including cash and cash equivalents and the estimated net [**REDACTED**] from the [**REDACTED**], and considering our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses and administrative expenses for at least the next 12 months from the expected date of this document.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities; (ii) capital expenditures; and (iii) lease payments. Assuming that the average cash burn rate going forward of 1.5 times the level in 2022 (which is primarily based on the difference between the average monthly burn rate in 2022 and the prospective burn rate based on the average monthly net cash used in operating activities, capital expenditures and lease payments in 2023 and the six months ended June 30, 2024), we estimate that our cash and cash equivalents as of December 31, 2022 for the purpose of the indebtedness statement, will be able to maintain our financial viability for approximately 8.4 months or, if taking into account the estimated net [**REDACTED**] (based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]) from the [**REDACTED**], for at least 25.9 months. We will continue to closely monitor our working capital, cash flows, and our business development status.

INDEBTEDNESS

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

	As of December 31,		As of April 30,
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
			(unaudited)
Current			
Bank loans	2,000	19,782	29,959
Lease liabilities	1,859	1,859	1,850
Non-current			
Lease liabilities	23,984	6,660	5,858
Financial instruments issued to investors	1,500,540	2,277,281	2,264,006
Total	**1,528,383**	**2,305,582**	**2,301,673**

During the Track Record Period and up to the Latest Practicable Date, we did not have other types of indebtedness other than bank loans, lease liabilities and financial instruments issued to investors as set forth in the table above, and had not been in violation of any of the covenants under any loan agreements. On August 25, 2022, China Merchants Bank granted us a banking facility of RMB30.0 million. We entered into loan agreements with Bank of Communications in January 2023 with an aggregrate principal amount of RMB10.0 million and bearing an interest rate of 3.4% per annum. As of the Latest Practicable Date, we had RMB10.0 million remained unutilized under all of our banking facilities. Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	For the Year Ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Payment for purchase of property, plant and equipment	(7,317)	(2,983)
Payment for purchase of intangible assets	(1,804)	(2,102)
Total	**(9,121)**	**(5,085)**

Our historical capital expenditures during the Track Record Period primarily included purchases of equipment and intangible assets. We funded our capital expenditure requirements during the Track Record Period mainly by equity financing. We expect that our capital expenditures in 2023 will be approximately RMB20.3 million, which will primarily include purchases of lab equipment and intangible assets. We plan to fund our planned capital expenditures using our cash at bank and the net [**REDACTED**] from the [**REDACTED**]. Please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document for more details. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

COMMITMENTS

We had the following capital commitment as of the dates indicated.

	As of December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Contracted for	11,173	10,723
Authorized but not contracted for	47,527	43,551
Total	**58,700**	**54,274**

CONTINGENT LIABILITIES

As of December 31, 2021 and 2022, we did not have any contingent liabilities. As of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the Track Record Period, our only related party transaction is the key management personnel remuneration. Details of our transactions with and the outstanding balances with related parties during the Track Record Period are set out in Note 26 to the Accountants' Report included in Appendix I to this document.

KEY FINANCIAL RATIOS

The table below sets forth the current ratio of our Group as of the dates indicated:

	As of December 31,	
	2021	**2022**
Current Ratio[1]	7.36	3.43

Note:

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

The decrease in current ratio was primarily due to the increase in other payables. For more details on the change in our other payables, please see "– Discussion of Certain Selected Items From the Consolidated Statements of Financial Position – Other Payables."

MARKET RISK DISCLOSURE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of our business. Our exposures to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss. Our credit risk is primarily attributable to other receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable banks, which we considered to have low credit risks. We have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

We have assessed that during the Track Record Period, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. We expect the occurrence of losses from non-performance by counterparties of other receivables to be remote and a loss allowance provision for other receivables to be immaterial.

Liquidity Risk

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. For further details, see Note 24(b) to the Accountants' Report set out in Appendix I to this document.

Currency Risk

Foreign currency risk means the risk relating to the fluctuation of fair value or future cash flows of financial instruments which arises from changes in exchange rates.

We are exposed to currency risk primarily through different functional currencies in different subsidiaries which give rise to cash and bank balances and other payables that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily USD. For further details, including relevant sensitivity analysis, please see Note 24(d) to the Accountants' Report set out in Appendix I to this document.

DIVIDEND

We have never declared or paid regular cash dividends on our Shares. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum and Articles and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. In addition, our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "Risk Factors – Risks Relating to Doing Business in China" in this document.

DISTRIBUTABLE RESERVES

As of December 31, 2022, our Company did not have any distributable reserves.

[REDACTED] EXPENSE INCURRED AND TO BE INCURRED

Our [**REDACTED**] expenses represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, we estimated that total [**REDACTED**] expenses for the [**REDACTED**] are approximately RMB[**REDACTED**], accounting for [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], including RMB[**REDACTED**] that we have recognized as expenses for the year ended December 31, 2022, about RMB[**REDACTED**] that we expect to recognize as expenses after December 31, 2022 and about RMB[**REDACTED**] that we expect to deduct from equity upon [**REDACTED**]. The above expenses are comprised of (i) [**REDACTED**] expenses, including [**REDACTED**] commission and other expenses, of RMB[**REDACTED**]; and (ii) [**REDACTED**] expenses of RMB[**REDACTED**], including (a) fee paid and payable to legal advisors and reporting accountants of RMB[**REDACTED**], and (b) other fees and expenses, including sponsor fees, of RMB[**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[**REDACTED**]

[**REDACTED**]

SUBSEQUENT EVENTS

Our Directors confirm that, since December 31, 2022 (being the date on which the latest consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material subsequent event undertaken by our Company.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2022 (being the date on which the latest consolidated financial information of our Group was prepared) and there has been no event since December 31, 2022 which would materially and adversely affect the information shown in our historical financial information included in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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