The following is the text of a report set out on pages I-1 to I-[68], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SICHUAN KELUN-BIOTECH BIOPHARMACEUTICAL CO., LTD., GOLDMAN SACHS (ASIA) L.L.C. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 四川科倫博泰生物醫藥股份有限公司 (Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[68], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021 and 2022, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021 and 2022 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[68] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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 and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company 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 (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021 and 2022 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 26(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[●]

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Chengdu Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi ("RMB"))

		Year ended December 31,	
	Note	**2021**	**2022**
		RMB'000	*RMB'000*
Revenue	*4*	32,322	803,933
Cost of sales		(20,525)	(276,828)
Gross profit		11,797	527,105
Other net income/(expense)	*5*	34,843	(4,368)
Administrative expenses		(96,174)	(95,303)
Research and development expenses		(727,670)	(845,984)
Loss from operations		(777,204)	(418,550)
Finance costs	*6(a)*	(112,591)	(148,814)
Loss before taxation	*6*	(889,795)	(567,364)
Income tax	*7(a)*	–	(48,735)
Loss for the year attributable to equity shareholders of the Company		(889,795)	(616,099)
Loss per share	*11*		
Basic and diluted		(8.90)	(5.74)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Note	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2022 *RMB'000*
Loss for the year		(889,795)	(616,099)
Other comprehensive income for the year (after tax)	*10*		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of an overseas subsidiary		(3,910)	13,988
Other comprehensive income for the year		(3,910)	13,988
Total comprehensive income for the year attributable to equity shareholders of the Company		(893,705)	(602,111)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31, 2021 RMB'000	As at December 31, 2022 RMB'000
Non-current assets			
Property, plant and equipment	*12*	432,179	530,349
Right-of-use assets	*13*	41,987	117,475
Intangible assets		486	3,179
Other non-current assets	*14*	39,965	9,826
		514,617	660,829
Current assets			
Inventories and other contract costs	*15*	78,707	52,636
Trade and other receivables	*17*	78,525	98,659
Amounts due from related parties	*29(d)*	22,688	61,800
Restricted deposits	*18*	36,628	26,261
Cash and cash equivalents	*18*	81,793	92,960
		298,341	332,316
Current liabilities			
Trade and other payables	*19*	185,256	243,405
Amounts due to related parties	*29(d)*	221,912	206,908
Financial instruments issued to investors	*22*	539,078	580,021
Contract liabilities	*16*	109,038	163,976
Bank loans and other borrowings	*20*	2,387,967	2,890,787
Lease liabilities	*21*	1,663	82,264
		3,444,914	4,167,361
Net current liabilities		(3,146,573)	(3,835,045)
Total assets less current liabilities		(2,631,956)	(3,174,216)
Non-current liabilities			
Lease liabilities	*21*	1,252	41,292
Deferred income	*23*	10,678	10,678
		11,930	51,970
NET LIABILITES		(2,643,886)	(3,226,186)
CAPITAL AND RESERVES			
Share capital	*26(c)*	107,370	107,370
Reserves		(2,751,256)	(3,333,556)
TOTAL DEFICIT		(2,643,886)	(3,226,186)

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at December 31, 2021 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	12	362,015	458,026
Right-of-use assets	13	20,876	97,087
Intangible assets		486	3,179
Interests in subsidiaries	33	372,707	410,604
Other non-current assets	14	39,611	8,876
		795,695	977,772
Current assets			
Inventories and other contract costs	15	78,707	52,636
Trade and other receivables	17	74,095	93,660
Amounts due from related parties	29(d)	38,890	89,013
Restricted deposits	18	36,628	26,261
Cash and cash equivalents	18	79,924	90,362
		308,244	351,932
Current liabilities			
Trade and other payables	19	166,136	229,944
Amounts due to related parties	29(d)	378,254	377,723
Financial instruments issued to investors	22	539,078	580,021
Contract liabilities	16	109,038	163,976
Bank loans and other borrowings	20	2,319,252	2,819,449
Lease liabilities	21	739	82,072
		3,512,497	4,253,185
Net current liabilities		(3,204,253)	(3,901,253)
Total assets less current liabilities		(2,408,558)	(2,923,481)
Non-current liabilities			
Lease liabilities	21	1,252	40,942
Deferred income	23	7,678	7,678
		8,930	48,620
NET LIABILITIES		(2,417,488)	(2,972,101)
CAPITAL AND RESERVES			
Share capital	26(c)	107,370	107,370
Reserves		(2,524,858)	(3,079,471)
TOTAL DEFICIT		(2,417,488)	(2,972,101)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	Share capital RMB'000	Capital reserves RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at January 1, 2021		76,689	130,223	(9,329)	(1,976,288)	(1,778,705)
Changes in equity for 2021						
Loss for the year		–	–	–	(889,795)	(889,795)
Exchange differences on translation of financial statements of an overseas subsidiary		–	–	(3,910)	–	(3,910)
Total comprehensive income		–	–	(3,910)	(889,795)	(893,705)
Issuance of new shares		18,830	3,198	–	–	22,028
Issuance of shares with preferential rights	22	11,851	499,932	–	–	511,783
Recognition of financial liabilities recognized for preferential rights issued to investors	22	–	(511,783)	–	–	(511,783)
Equity-settled share-based payment	24	–	6,496	–	–	6,496
Balance at December 31, 2021		107,370	128,066	(13,239)	(2,866,083)	(2,643,886)
Balance at January 1, 2022		107,370	128,066	(13,239)	(2,866,083)	(2,643,886)
Changes in equity for 2022						
Loss for the year		–	–	–	(616,099)	(616,099)
Exchange differences on translation of financial statements of an overseas subsidiary		–	–	13,988	–	13,988
Total comprehensive income		–	–	13,988	(616,099)	(602,111)
Equity-settled share-based payment	24	–	19,811	–	–	19,811
Balance at December 31, 2022		107,370	147,877	749	(3,482,182)	(3,226,186)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended December 31, 2021 *RMB'000*	2022 *RMB'000*
Operating activities			
Net cash used in operating activities	*18(b)*	(485,942)	(270,847)
Investing activities			
Payment for the purchase of property, plant and equipment		(94,083)	(33,659)
Proceeds from disposal of property, plant and equipment		–	6,329
Payment for intangible assets		(660)	(5,333)
Payment for investment in financial assets measured at fair value through profit or loss		(140,000)	(370,000)
Proceeds from redemption of financial assets measured at fair value through profit or loss		140,359	370,513
Net cash used in investing activities		(94,384)	(32,150)
Financing activities			
Proceeds from new bank loans	*18(c)*	30,000	115,000
Repayment of bank loans	*18(c)*	(60,000)	(45,000)
Proceeds from other borrowings from Kelun Pharmaceutical	*18(c)*	195,484	248,000
Repayment of other borrowings from Kelun Pharmaceutical	*18(c)*	(10,000)	–
Proceeds from issuance of new shares		22,028	–
Proceeds from issuance of shares with preferential rights	*22*	511,783	–
Interest paid	*18(c)*	(39,825)	(2,893)
Capital element of lease rentals paid	*18(c)*	(1,990)	(1,621)
Interest element of lease rentals paid	*18(c)*	(164)	(34)
Net cash generated from financing activities		647,316	313,452
Net increase in cash and cash equivalents		66,990	10,455
Cash and cash equivalents at January 1	*18(a)*	16,189	81,793
Effect of foreign exchange rate changes		(1,386)	712
Cash and cash equivalents at December 31	*18(a)*	81,793	92,960

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise stated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(a) General Information

四川科倫博泰生物醫藥股份有限公司 (Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd., the "Company") was incorporated in the People's Republic of China (the "PRC") on November 22, 2016 as a joint stock company with limited liability under the PRC Company Law.

The Company and its subsidiaries (together as "the Group") were mainly engaged in researching and developing ("R&D") service, manufacturing and commercialization of novel drugs.

The financial statements of the Company for the year ended 31 December 2021 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by 四川博鋭會計師事務所有限責任公司 (Sichuan Borui Certified Public Accountants Co., Ltd.).

No audited financial statements have been prepared for the Company for the year ended December 31, 2022.

(b) Subsidiaries

During the Relevant Periods and as at the date of this report, the Company has direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

			Effective interest rate held by the Group			
			As at December 31			
Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	2021	2022	At the date of this report	Principal activities
Sichuan Konas Pharmaceutical Co., Ltd. 四川科納斯製藥有限公司 *(notes (i) and (ii))*	the PRC/ September 30, 2016	RMB4,000,000/ RMB nil	100%	100%	100%	Research and development
KLUS PHARMA INC. *(note (ii))*	the United States of America (the "USA")/ October 31, 2014	USD100/ USD100	100%	100%	100%	Research and development
Sichuan Kelun-Biotech Biopharmaceutical Target Drugs Research Centre Co., Ltd. 四川科倫博泰生物靶向藥物工程研究中心有限公司 *(notes (i) and (ii))*	the PRC/ March 30, 2023	RMB100,000,000/ RMB nil	Not applicable	Not applicable	100%	Research and development

Notes:

(i) The official name of the entity is in Chinese. The English translation of the name is for reference only. The entity is a limited liability company under the law of the PRC.

(ii) No audited financial statements have been prepared.

All companies comprising the Group have adopted December 31 as their financial year end date.

(c) Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in note 2.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised IFRSs throughout the Relevant Periods except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2022 and not yet adopted by the Group are set out in note 31.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at December 31, 2022, the Group had net current liabilities of RMB3,835,045,000 and net liabilities of RMB3,226,186,000.

After taking into account of the Group's cashflow projection for the next twelve months with reference to (i) On January 3, 2023, the Company, Sichuan Kelun Pharmaceutical Co., Ltd. ("Kelun Pharmaceutical") and the other then Shareholders of the Company entered into a share subscription and debt-to-equity swap agreement, pursuant to which Kelun Pharmaceutical agreed to further subscribe for an aggregate of 51,255,685 Shares at the total subscription price of RMB2,650,000,000, among which RMB2,500,000,000 was settled through debt-to-equity swap and RMB150,000,000 was settled by cash on January 16, 2023; and (ii) the non-refundable upfront fee of USD175,000,000 (equivalent to RMB1,205,505,000) collected in March 2023 pursuant to an exclusive license and collaboration agreement which was entered into with a third party in December 2022, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement and presentation currency

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets measured at fair value through profit or loss ("FVPL").

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency").

RMB and United States Dollar ("USD") are the functional currencies for the Company and Company's subsidiary established in the PRC and the USA respectively.

(b) Use of estimates and judgments

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(ii)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income.

Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2(r)(iv).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Machinery and equipment	10 years
– Furniture, fixtures and others	3 – 5 years
– Vehicles	5 – 8 years
– Leasehold improvements	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses (see note 2(h)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(f) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated and impairment losses (see note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

– Software	2 years

Both the period and method of amortization are reviewed annually.

(g) Leased assets

At inception of a contract, the Group assesses 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 right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

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

At the lease commencement date, the Group recognizes 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 the Group enters into a lease in respect of a low-value asset, the Group decides 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 the 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 note 2(h)(ii)).

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 the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group 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.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables);

Other financial assets measured at fair value, including equity securities measured at FVPL, 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 in accordance with the contract and the cash flows that the Group expects to receive).

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

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– 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 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.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, 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.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 30 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets;

– other non-current assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(i) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value as follows:

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalized as inventory (see note 2(i)(i)), property, plant and equipment (see note 2(e)) or intangible assets (see note 2(f)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalized when incurred if the costs relate to revenue which will be recognized in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized. The accounting policy for revenue recognition is set out in note 2(r)(i).

(j) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see note 2(r)(i)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(k)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(r)(i)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(r)(ii)).

(k) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see note 2(h)(i)).

Prepayments of the Group represent upfront cash payments made to contract research organizations ("CROs"), hospitals and suppliers for equipment.

Prepayments to CROs and hospitals, which are organizations that provide support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis, will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements within one year or less and therefore are all classified as current assets.

Prepayments for equipment which are due for transfer to property, plant and equipment and therefore are classified as non-current assets.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Shares issued

Shares issued are classified as equity if they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends on such shares issued are recognized as distributions within equity.

A financial liability is recognized if the Group has the obligation to redeem any equity instruments issued on a specific date or at the option of the shareholders (including the options that are only exercisable in case of occurrence of certain contingent triggering events). The liability is recognized and measured at the present value of the exercise price.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 2(u)).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to appropriate local defined contribution retirement schemes are recognized as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share-based payment awards granted to employees is recognized as an employee cost with a corresponding increase in capital reserves within equity. The fair value is measured at grant date with reference to the price per share in the latest equity financing transaction, taking into account the terms and conditions upon which the share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of share-based payment awards is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior periods is charged/credited to the profit or loss for the period of the review with a corresponding adjustment to the capital reserves. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the capital reserve).

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

(a) Revenue from license and collaboration agreements

The Group grants licenses of its intellectual property (the "License") to its customers. The consideration for the License comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and sales-based royalties). The upfront fees are recognized as revenue when customers obtain rights to access the technology. Development milestone payments are included in the transaction price and recognized as revenue throughout the license period when it is highly probable that there will not be a subsequent reversal of a significant amount of revenue. Sales-based royalties are not included in the transaction price until customers make the sales.

(b) Revenue from provision of research and development service

Research and development services are comprised of performance obligations which are capable of being distinct. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the services.

For the research and development services that i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, the Group concluded that such services can be identified as a performance obligation satisfied over time. The Group use input methods to recognize revenue on the basis of the Group's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

Otherwise, revenue is recognized at a point in time when the customers accept and can benefit from such service.

(ii) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(iii) 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 the Group will comply with the conditions attaching to them. Grants that compensate the Group 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 the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the assets.

(iv) Dividends

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(s) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments and estimations used in preparation of the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 27 contain information about the assumptions and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Research and development expenses

Development expenses incurred on the Group's pipelines are capitalized 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, the Group's intention to complete and the Group's 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 reliably the 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. During the Relevant Periods, the Group's development expenditures incurred did not meet these capitalization principles for any products and were expensed as incurred.

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during the Relevant Periods. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the researching and developing service of innovative drugs, manufacturing and commercialization of novel drugs.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from license and collaboration agreements	4,463	785,902
Revenue from provision of research and development service	27,859	18,031
	32,322	803,933

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Disaggregated by timing of revenue recognition		
Point in time	4,463	420,919
Over time	27,859	383,014
	32,322	803,933

The Group's customer base includes two and one customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2021 and 2022, respectively. Revenues from of these customers amounted to approximately RMB31,856,000 and RMB730,037,000 for the year ended December 31, 2021 and 2022 respectively, details of concentrations of credit risk arising from these three customers are set out in note 27(a).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date.

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied were RMB1,308,402,000 and RMB892,444,000 as at December 31, 2021 and 2022, respectively, which is expected to occur over the next 12 to 15 months (2021: next 12 to 24 months).

(b) Segment reporting

(i) Segment information

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, no reportable segment information is presented.

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, intangible assets and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the customers are registered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, right-of-use assets and the location of the operation to which they are allocated, in the case of intangible assets and other non-current assets.

Revenues from external customers

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
The PRC (Place of domicile)	20,385	56,488
The USA	–	730,037
Other countries	11,937	17,408
	32,322	803,933

Non-current assets

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
The PRC	512,082	660,310
The USA	2,535	519
	514,617	660,829

5 OTHER NET INCOME/(EXPENSE)

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Interest income from bank deposits	806	1,417
Net foreign exchange gains/(losses)	16,877	(31,944)
Government grants	16,716	20,254
Net (loss)/gain on disposal of property, plant and equipment	(5)	5,418
Net realized and unrealized gain on financial assets measured at FVPL	359	513
Others	90	(26)
	34,843	(4,368)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Interest expenses on bank loans	1,574	2,893
Interest expenses on other borrowings from Kelun Pharmaceutical	90,209	108,301
Interest expenses on financial instruments issued to investors	27,295	40,943
Interest expenses on lease liabilities	164	5,605
	119,242	157,742
Less: interest expenses capitalized into construction in progress	(6,651)	(8,928)
	112,591	148,814

The borrowing costs have been capitalized at a rate of 4.35% for the year ended December 31, 2021 and 2022.

(b) Staff costs

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Salaries, wages, bonuses and other benefits	331,505	360,001
Contributions to defined contribution retirement plan	15,081	16,789
Equity-settled share-based payment expenses *(note 24)*	6,496	19,811
	353,082	396,601

Staff costs includes remuneration of directors, supervisors and senior management (note 8 and note 29(a)).

Pursuant to the relevant labor rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Amortization cost of intangible assets	298	2,640
Depreciation charge		
– property, plant and equipment *(note 12)*	19,329	23,328
– right-of-use assets *(note 13)*	3,287	41,396
Auditors' remuneration		
– audit services	108	504
[**REDACTED**]	–	9,288
Research and development expenses*	727,670	845,984
Cost of sales#	20,525	276,828

* During the year ended December 31, 2021 and 2022, research and development expenses include RMB279,462,000 and RMB316,042,000, respectively relating to staff costs and depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in the note 6(b) for each of these types of expenses.

During the year ended December 31, 2021 and 2022, cost of sales includes RMB13,269,000 and RMB79,163,000 respectively relating to staff costs and depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Current tax		
Provision for the year		
– The PRC Corporate Income Tax	–	–
– Withholding Tax	–	48,735
	–	48,735

(i) PRC Corporate Income Tax

Effective from January 1, 2008, the PRC statutory income tax rate is 25% under the PRC Corporate Income Tax Law. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

According to the PRC Corporate Income Tax Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company obtained its certificate of high-technology enterprise on December 3, 2020 and is entitled to preferential income tax of 15% from 2020 to 2022.

(ii) Withholding Tax

Pursuant to US Income Tax laws and regulations and the agreement between the government of the People's Republic of China and the USA for avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income (中華人民共和國政府和美利堅合眾國政府關於對所得避免雙重徵稅和防止偷漏稅的協定), a 10% US federal withholding tax is charged on royalties paid pursuant to license and collaboration agreements entered between the Company and a US company.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates

	Year ended December 31, 2021	2022
	RMB'000	*RMB'000*
Loss before taxation	(889,795)	(567,364)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	(219,278)	(140,221)
Effect of preferential income tax rates	80,842	52,570
Tax effect of non-deductible expenses	1,005	15,724
Tax effect of unused tax losses not recognized	197,072	65,786
Tax effect of bonus deduction for research and development expenses	(63,735)	–
Tax effect of interest expenses arising from financial instrument issued to investors	4,094	6,141
Withholding tax	–	48,735
Actual tax expense	–	48,735

(i) An additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax laws and its relevant regulations. An additional 100% of qualified research and development expenses is allowed to be deducted from taxable income since October 1, 2022.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments are as follows:

	Year ended December 31, 2021				
	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*note 1*)	*RMB'000*
Executive Directors					
Mr. Wang Jingyi (王晶翼)	5,241	3,125	165	(12)	8,519
Non-executive Directors					
Mr. Liu Gexin (劉革新)	–	–	–	–	–
Mr. Liu Sichuan (劉思川)	–	–	–	–	–
Mr. Feng Hao (馮昊) (appointed in March 2021)	–	–	–	114	114
Ms. Yang Qiuyan (楊秋豔) (resigned in March 2021) (*note 5*)	137	35	1	21	194
Mr. Chen Deguang (陳得光)	3,419	373	7	480	4,279
Supervisors					
Ms. Song Hongmei (宋宏梅) (appointed in March 2021)	1,157	279	6	172	1,614
Mr. Wan Peng (萬鵬) (appointed in March 2021)	–	–	–	–	–
Mr. Lai Degui (賴德貴) (appointed in March 2021)	–	–	–	114	114

	Year ended December 31, 2021				
	Salaries, allowances and benefits in kind *RMB'000*	**Discretionary bonuses** *RMB'000*	**Retirement scheme contributions** *RMB'000*	**Share-based payments** *RMB'000* *(note 1)*	**Total** *RMB'000*
Mr. Chang Jianhui (常建輝) (resigned in March 2021) *(note 5)*	73	24	1	19	117
Ms. Zhou Yingzi (周英姿) (resigned in March 2021) *(note 5)*	191	48	9	27	275
Ms. Wang Jing (汪靜) (resigned in March 2021) *(note 5)*	106	–	1	(34)	73
	10,324	3,884	190	901	15,299

	Year ended December 31, 2022				
	Salaries, allowances and benefits in kind *RMB'000*	**Discretionary bonuses** *RMB'000*	**Retirement scheme contributions** *RMB'000*	**Share-based payments** *RMB'000* *(note 1)*	**Total** *RMB'000*
Executive Directors					
Mr. Wang Jingyi (王晶翼)	3,512	578	154	(83)	4,161
Mr. Ge Junyou (葛均友) (appointed in February 2022)	2,004	800	31	380	3,215
Non-executive Directors					
Mr. Liu Gexin (劉革新)	–	–	–	–	–
Mr. Liu Sichuan (劉思川)	–	–	–	–	–
Mr. Feng Hao (馮昊)	–	–	–	136	136
Mr. Li Dongfang (李東方) (appointed in February 2022)	–	–	–	–	–
Mr. Chen Deguang (陳得光) (resigned in February 2022) *(note 5)*	272	80	4	74	430
Mr. Zeng Xuebo (曾學波) (appointed in July 2022)	–	–	–	–	–
Mr. Zhou Zejian (周澤劍) (appointed in February 2022 and resigned in July 2022) *(note 5)*	–	–	–	–	–
Supervisors					
Ms. Song Hongmei (宋宏梅)	1,495	420	8	206	2,129
Mr. Wan Peng (萬鵬)	–	–	–	–	–
Mr. Lai Degui (賴德貴)	–	–	–	136	136
Ms. Qing Yan (卿燕) (appointed in March 2022)	1,017	312	6	122	1,457

	Year ended December 31, 2022				
	Salaries, allowances and benefits in kind	**Discretionary bonuses**	**Retirement scheme contributions**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (note 1)*	*RMB'000*
Ms. Yang Qiuyan (楊秋豔) (appointed in March 2022)	686	200	6	97	989
Ms. Liao Yihong (廖益虹) (appointed in February 2022)	–	–	–	–	–
	8,986	2,390	209	1,068	12,653

Note 1: These represent the estimated value of restricted share units granted to the directors and supervisors under the Company's restricted share unit scheme. The value of these restricted share units is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of share-based payment, including the principal terms and number of options granted, are disclosed in note 24.

Note 2: During the years ended December 31, 2021 and 2022, no emoluments was paid by the Group to the directors, supervisors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. No director or supervisor has waived for agreed to waive any emoluments during the Relevant Periods.

Note 3: During the year ended December 31, 2021 and 2022, Mr. Liu Gexin, Mr. Liu Sichuan, Mr. Wan Peng and Ms. Liao Yihong were not paid directly by the Group but received remuneration from the Group's holding company, in respect of their services to the larger group which includes the Group. No apportionment has been made as the qualifying services provided by them to the Group are incidental to their responsibilities to the larger group.

Note 4: Dr. Zheng Qiang (鄭強), Dr. Tu Wenwei (涂文偉), Dr. Li Yuedong (李越冬) and Dr. Jin Jinping (金錦萍) were appointed as independent non-executive Directors of the Company on February 15, 2023.

Note 5: Both Ms. Yang Qiuyan and Mr. Chen Deguang resigned as non-executive directors due to internal work adjustments while Mr. Zhou Zejian resigned as a non-executive director due to personal reasons during the Relevant Periods. Mr. Chang Jianhui, Ms. Zhou Yingzi and Ms. Wang Jing resigned as supervisors due to internal work adjustments.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2021 and 2022, of the five individuals with the highest remuneration, 2 and 1 are directors whose remuneration are disclosed in note 8.

The aggregate remuneration in respect of the remaining individuals are as follows:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Salaries and other emoluments	10,102	10,682
Discretionary bonuses	1,209	3,137
Share-based payments	931	15,896
Retirement scheme contributions	99	443
	12,341	30,158

The remuneration of the above individuals with the highest remuneration are within the following bands:

	Year ended December 31,	
	2021	**2022**
	Number of Individuals	*Number of Individuals*
HKD3,500,001 – HKD4,000,000	1	–
HKD4,500,001 – HKD5,000,000	–	1
HKD5,000,001 – HKD5,500,000	1	–
HKD6,000,001 – HKD6,500,000	1	–
HKD7,000,001 – HKD7,500,000	–	1
HKD8,000,001 – HKD8,500,000	–	1
HKD15,000,001 – HKD15,500,000	–	1

10 OTHER COMPREHENSIVE INCOME

	Year ended December 31,					
	2021			**2022**		
	Before-tax amount	**Tax expense**	**Net-of-tax amount**	**Before-tax amount**	**Tax expense**	**Net-of-tax amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of an overseas subsidiary	(3,910)	–	(3,910)	13,988	–	13,988

11 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the Relevant Periods, calculated as follows.

(i) Loss attributable to ordinary equity shareholders of the Company used in basic loss per share calculation:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Loss for the year attributable to ordinary equity shareholders	(889,795)	(616,099)
Allocation of loss for the year attributable to financial instruments issued to investors	67,245	68,000
Loss for the year attributable to ordinary equity shareholders of the Company for the purpose of basic loss per share	(822,550)	(548,099)

(ii) Weighted average number of shares

	Year ended December 31, 2021	2022
Issued ordinary shares at January 1	76,688,750	107,369,609
Effect of issuance of new shares	23,325,536	–
Effect of the financial instruments issued to investors	(7,558,477)	(11,850,609)
Weighted average number of ordinary shares at December 31	92,455,809	95,519,000

Effect of the financial instruments issued to investors (see note 22) represents the weighted average number of ordinary shares of the Company that are subject to redemption and excluded from the calculation of the basic loss per share for the Relevant Periods.

(b) Diluted loss per share

The diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2021 and 2022, the Company had the financial instruments issued to investors as financial liabilities which are potential ordinary shares (see note 22). As the Group incurred losses for the year ended December 31, 2021 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the Relevant Periods were the same as basic loss per share of the respective period.

12 PROPERTY, PLANT AND EQUIPMENT ("PPE")

(a) Reconciliation of carrying amount

The Group

	Machinery and equipment *RMB'000*	Furniture, fixtures and others *RMB'000*	Vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At January 1, 2021	114,455	31,023	–	391	142,117	287,986
Purchases	53,076	3,036	324	–	140,243	196,679
Exchange adjustments	(441)	(32)	(9)	(9)	–	(491)
Disposals	(1,252)	(20)	–	–	–	(1,272)
At December 31, 2021 and January 1, 2022	165,838	34,007	315	382	282,360	482,902
Purchases	30,849	14,175	–	–	93,211	138,235
Transfer from construction in progress	13,733	–	–	13,252	(26,985)	–
Exchange adjustments	990	6	16	35	–	1,047
Disposals	(36,757)	(1,286)	(331)	–	–	(38,374)
At December 31, 2022	174,653	46,902	–	13,669	348,586	583,810

	Machinery and equipment	Furniture, fixtures and others	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation						
At January 1, 2021	(29,602)	(2,252)	–	(117)	–	(31,971)
Charge for the year	(16,416)	(2,823)	(64)	(26)	–	(19,329)
Exchange adjustments	397	23	1	3	–	424
Disposals	146	7	–	–	–	153
At December 31, 2021 and January 1, 2022	(45,475)	(5,045)	(63)	(140)	–	(50,723)
Charge for the year	(18,050)	(3,166)	(18)	(2,094)	–	(23,328)
Exchange adjustments	(942)	(6)	(3)	(24)	–	(975)
Disposals	20,517	964	84	–	–	21,565
At December 31, 2022	(43,950)	(7,253)	–	(2,258)	–	(53,461)
Net book value:						
At December 31, 2022	130,703	39,649	–	11,411	348,586	530,349
At December 31, 2021	120,363	28,962	252	242	282,360	432,179

The Company

	Machinery and equipment	Furniture, fixtures and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At January 1, 2021	95,201	29,607	–	95,102	219,910
Purchases	53,076	3,036	–	118,857	174,969
Disposals	(1,252)	(20)	–	–	(1,272)
At December 31, 2021 and January 1, 2022	147,025	32,623	–	213,959	393,607
Purchases	30,849	14,175	–	89,305	134,329
Transfer from construction in progress	13,733	–	13,252	(26,985)	–
Disposals	(16,974)	(82)	–	–	(17,056)
At December 31, 2022	174,633	46,716	13,252	276,279	510,880
Accumulated depreciation					
At January 1, 2021	(13,170)	(1,302)	–	–	(14,472)
Charge for the year	(14,567)	(2,706)	–	–	(17,273)
Disposals	146	7	–	–	153
At December 31, 2021 and January 1, 2022	(27,591)	(4,001)	–	–	(31,592)
Charge for the year	(18,048)	(3,152)	(1,841)	–	(23,041)
Disposals	1,709	70	–	–	1,779
At December 31, 2022	(43,930)	(7,083)	(1,841)	–	(52,854)

	Machinery and equipment *RMB'000*	Furniture, fixtures and others *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Net book value:					
At December 31, 2022	130,703	39,633	11,411	276,279	458,026
At December 31, 2021	119,434	28,622	–	213,959	362,015

13 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

The Group

	Land use rights *RMB'000*	Properties leased for own use *RMB'000*	Machinery and equipment leased for own use *RMB'000*	Total *RMB'000*
Cost:				
At January 1, 2021	44,938	2,639	–	47,577
Additions	–	1,026	–	1,026
Exchange adjustments	–	(54)	–	(54)
At December 31, 2021 and January 1, 2022	44,938	3,611	–	48,549
Additions	–	21,077	96,893	117,970
Disposals	(1,278)	(3,434)	–	(4,712)
Exchange adjustments	–	146	–	146
At December 31, 2022	43,660	21,400	96,893	161,953
Accumulated depreciation				
At January 1, 2021	(3,293)	–	–	(3,293)
Charge for the year	(1,058)	(2,229)	–	(3,287)
Exchange adjustments	–	18	–	18
At December 31, 2021 and January 1, 2022	(4,351)	(2,211)	–	(6,562)
Charge for the year	(875)	(8,223)	(32,298)	(41,396)
Disposals	183	3,434	–	3,617
Exchange adjustments	–	(137)	–	(137)
At December 31, 2022	(5,043)	(7,137)	(32,298)	(44,478)
Net book value:				
At December 31, 2022	38,617	14,263	64,595	117,475
At December 31, 2021	40,587	1,400	–	41,987

The Company

	Land use rights	Properties leased for own use	Machinery and equipment leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At January 1, 2021	22,342	267	–	22,609
Additions	–	1,026	–	1,026
At December 31, 2021 and January 1, 2022	22,342	1,293	–	23,635
Additions	–	20,500	96,893	117,393
Disposals	(1,278)	(995)	–	(2,273)
At December 31, 2022	21,064	20,798	96,893	138,755
Accumulated depreciation				
At January 1, 2021	(1,488)	–	–	(1,488)
Charge for the year	(605)	(666)	–	(1,271)
At December 31, 2021 and January 1, 2022	(2,093)	(666)	–	(2,759)
Charge for the year	(422)	(7,367)	(32,298)	(40,087)
Disposals	183	995	–	1,178
At December 31, 2022	(2,332)	(7,038)	(32,298)	(41,668)
Net book value:				
At December 31, 2022	18,732	13,760	64,595	97,087
At December 31, 2021	20,249	627	–	20,876

The analysis of expense items in relation to leases recognized in the Group's profit or loss is as follows:

	Year ended December 31, 2021	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights, carried at depreciated cost	1,058	875
Properties leased for own use, carried at depreciated cost	2,229	8,223
Machinery and equipment leased for own use, carried at depreciated cost	–	32,298
	3,287	41,396
Interest expenses on lease liabilities (note 6(a))	164	5,605
Expense relating to short-term leases	43,069	845

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 21, respectively.

14 OTHER NON-CURRENT ASSETS

The Group

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Prepayments for property, plant and equipment	39,965	9,826

The Company

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Prepayments for property, plant and equipment	39,611	8,876

15 INVENTORIES AND OTHER CONTRACT COSTS

The Group and the Company

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Raw materials	45,590	48,643
Low-value consumables	5,134	3,993
	50,724	52,636
Contract costs	27,983	–
	78,707	52,636

All of the contract costs are expected to be recovered within one year.

16 CONTRACT LIABILITIES

The Group and the Company

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Receipts in advance	109,038	163,976

Movements in contract liabilities

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Balance at January 1	–	109,038
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	–	(109,038)
Increase in contract liabilities as a result of receipts in advance	109,038	163,976
Balance at December 31	109,038	163,976

All of contract liabilities are expected to be recognized as income within one year.

17 TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Trade receivables	146	–
Other receivables	2,165	1,846
Value Added Tax ("VAT") recoverable	45,557	40,785
Prepayments	30,657	56,028
	78,525	98,659

The Company

	As at December 31,	
	2021	*2022*
	RMB'000	*RMB'000*
Trade receivables	146	–
Other receivables	1,810	1,800
VAT recoverable	41,482	35,832
Prepayments	30,657	56,028
	74,095	93,660

(a) Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Within 3 months (inclusive)	146	–

Trade debtors are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

		As at December 31,	
		2021	**2022**
		RMB'000	*RMB'000*
Cash at bank		118,421	119,221
Less: restricted bank deposits	*(i)*	(36,628)	(26,261)
Cash and cash equivalents in the consolidated statements of financial position		81,793	92,960

The Company

		As at December 31,	
		2021	**2022**
		RMB'000	*RMB'000*
Cash at bank		116,552	116,623
Less: restricted bank deposits	*(i)*	(36,628)	(26,261)
Cash and cash equivalents in the statements of financial position		79,924	90,362

(i) Restricted bank deposits are pledged deposits for issuance of bills payable. The pledged deposits will be released upon the settlement of relevant bills payable.

(b) Reconciliation of loss before taxation to cash (used in)/generated from operations:

		Year ended December 31,	
	Note	**2021**	**2022**
		RMB'000	*RMB'000*
Loss before taxation		(889,795)	(567,364)
Adjustments for:			
Depreciation of property, plant and equipment	*6(c)*	19,329	23,328
Depreciation of right-of-use assets	*6(c)*	3,287	41,396
Amortization of intangible assets	*6(c)*	298	2,640
Finance costs	*6(a)*	112,591	148,814
Net loss/(gain) on disposal of property, plant and equipment	*5*	5	(5,418)
Net realized and unrealized gain on financial assets measured at FVPL	*5*	(359)	(513)
Equity-settled share-based payment expenses	*6(b)*	6,496	19,811
Net foreign exchange (gains)/losses	*5*	(16,877)	31,944
Changes in working capital:			
(Increase)/decrease in inventories and other contract costs	*15*	(37,282)	26,071
Decrease/(increase) in trade and other receivables		239	(20,134)
Increase in amounts due from related parties		(20,791)	(20,991)
(Increase)/decrease in restricted bank deposits	*18(a)*	(36,628)	10,367
Increase in trade and other payables		90,671	50,572
Increase/(decrease) in amounts due to related parties		173,836	(17,573)
Increase in contract liabilities		109,038	6,203
Net cash used in operating activities		(485,942)	(270,847)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans	Other borrowings from Kelun Pharmaceutical	Financial instruments issued to investors	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 20)	*(note 20)*	*(note 22)*	*(note 21)*	
At January 1, 2021	60,000	1,988,424	–	3,916	2,052,340
Changes from financing cash flows:					
Proceeds from new bank loans	30,000	–	–	–	30,000
Repayment of bank loans	(60,000)	–	–	–	(60,000)
Proceeds from other borrowings from Kelun Pharmaceutical	–	195,484	–	–	195,484
Repayment of other borrowings from Kelun Pharmaceutical	–	(10,000)	–	–	(10,000)
Proceeds from issuance of shares with preferential rights	–	–	511,783	–	511,783
Capital element of lease rentals paid	–	–	–	(1,990)	(1,990)
Interest element of lease rentals paid	–	–	–	(164)	(164)
Interest paid	(1,574)	(38,251)	–	–	(39,825)
Total changes from financing cash flows	(31,574)	147,233	511,783	(2,154)	625,288
Exchange adjustments	–	(14,034)	–	(37)	(14,071)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	1,026	1,026
Interest expenses *(note 6(a))*	1,574	90,209	27,295	164	119,242
Transfer from trade and other payables	–	146,135	–	–	146,135
Total other changes	1,574	236,344	27,295	1,190	266,403
At December 31, 2021	30,000	2,357,967	539,078	2,915	2,929,960

	Bank loans	Other borrowings from Kelun Pharmaceutical	Financial instruments issued to investors	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 20)	*(note 20)*	*(note 22)*	*(note 21)*	
At January 1, 2022	30,000	2,357,967	539,078	2,915	2,929,960
Changes from financing cash flows:					
Proceeds from new bank loans	115,000	–	–	–	115,000
Repayment of bank loans	(45,000)	–	–	–	(45,000)
Proceeds from other borrowings from Kelun Pharmaceutical	–	248,000	–	–	248,000
Capital element of lease rentals paid	–	–	–	(1,621)	(1,621)
Interest element of lease rentals paid	–	–	–	(34)	(34)
Interest paid	(2,893)	–	–	–	(2,893)
Total changes from financing cash flows	67,107	248,000	–	(1,655)	313,452

	Bank loans	Other borrowings from Kelun Pharmaceutical	Financial instruments issued to investors	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 20)	*(note 20)*	*(note 22)*	*(note 21)*	
Exchange adjustments	–	25,099	–	61	25,160
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	117,970	117,970
Interest expenses (note 6(a))	2,893	108,301	40,943	5,605	157,742
Termination of lease arrangement	–	–	–	(1,340)	(1,340)
Transfer from trade and other payables	–	51,420	–	–	51,420
Total other changes	2,893	159,721	40,943	122,235	325,792
At December 31, 2022	100,000	2,790,787	580,021	123,556	3,594,364

(d) Total cash outflow for leases

	Year ended December 31, 2021	2022
	RMB'000	*RMB'000*
Within operating cash flows	403	762
Within financing cash flows	2,154	1,655
	2,557	2,417

19 TRADE AND OTHER PAYABLES

The Group

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Trade payables	98,341	123,259
Other payables	6,029	3,059
Bills payable	33,641	27,777
Accrued payroll and benefits	44,723	86,608
Other taxes payable	2,522	2,702
	185,256	243,405

The Company

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Trade payables	81,167	113,601
Other payables	5,690	2,785
Bills payable	33,641	27,777
Accrued payroll and benefits	43,116	83,107
Other taxes payable	2,522	2,674
	166,136	229,944

As at the end of each reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

The Group

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Within 1 year	131,142	149,663
1 to 2 years	346	642
2 to 3 years	320	307
More than 3 years	174	424
	131,982	151,036

The Company

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Within 1 year	113,968	140,005
1 to 2 years	346	642
2 to 3 years	320	307
More than 3 years	174	424
	114,808	141,378

20 BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of bank loans and other borrowings is as follows:

The Group

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Current		
Guaranteed bank loans (i)	30,000	100,000
Other borrowings from Kelun Pharmaceutical (ii)	2,357,967	2,790,787
	2,387,967	2,890,787

The Company

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Current		
Guaranteed bank loans (i)	30,000	100,000
Other borrowings from Kelun Pharmaceutical (ii)	2,289,252	2,719,449
	2,319,252	2,819,449

(i) Bank loans

As at December 31, 2021, the bank loan of RMB30,000,000 with interest rate of 3.85% per annum were guaranteed by Mr. Liu Gexin.

As at December 31, 2022, the bank loan of RMB100,000,000 with interest rate of 3.75% per annum were guaranteed by Kelun Pharmaceutical.

(ii) Other borrowings from Kelun Pharmaceutical

As at December 31, 2021 and 2022, other borrowings of RMB2,357,967,000 and RMB2,790,787,000 from Kelun Pharmaceutical were interest-bearing at 4.35% per annum, unsecured and payment on demand. This related party balance was settled in January 2023 pursuant to a share subscription and debt-to-equity swap agreement, for details, please refer to note 32.

21 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

The Group

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Within 1 year	1,663	82,264
After 1 year but within 2 years	250	41,148
After 2 years but within 5 years	572	144
After 5 years	430	–
	1,252	41,292
	2,915	123,556

The Company

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Within 1 year	739	82,072
After 1 year but within 2 years	250	40,942
After 2 years but within 5 years	572	–
After 5 years	430	–
	1,252	40,942
	1,991	123,014

22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

In 2021, the Company entered into an investment agreement with certain independent investors, pursuant to which, these investors paid in the aggregate, RMB511,783,000 (or USD equivalent) and subscribed for the Company's share capital of RMB11,851,000 (referred as "Series A Investments").

The investors of the Series A Investments are entitled to the same voting rights and dividend rights as other founding shareholders of the Company, and these Series A Investments will be automatically transferred to equity upon [**REDACTED**]. Certain key preferential rights issued to the investors of the Series A Investments are summarized as follows:

Liquidation preference

In the event of any liquidation or dissolution of the Company, the investors of the Series A Investments shall be entitled to receive the amount equal to the aggregate of the original issue price plus per annum interest 8% calculated on a simple basis and all declared but unpaid dividends (the "Priority Liquidation Amount"). After the Priority Liquidation Amount is paid off, if the Company still has net assets legally available for distribution, the investors of the Series A Investments shall be entitled to the residual assets according to its shareholding on a pro rata basis.

Investors' redemption rights

The investors of the Series A Investments would have the right but not the obligation to request the Company and/or the actual controller of the Company to purchase all or part of the shares of the Company held by them, upon the occurrence of any of the specified contingent events, including but not limited to:

(i) a qualified [**REDACTED**] of the Company does not consummate by the 3rd anniversary of the closing date;

(ii) the Company, the existing shareholders or the actual controller of the Company have materially breached any term of the transaction documents.

The redemption price of each share shall equal to the aggregate of the original issue price plus per annum interest 8% calculated on a simple basis for the period from the payment date of the consideration up to the redemption date, plus all declared but unpaid dividends.

Upon the occurrence of any of the deemed liquidation events, such as a merger, reorganization, acquisition, or other similar transaction or series of transactions that result in the change of control of the Company, the investors of the Series A Investments would have the right but not the obligation to request the Company and/or the existing shareholders of the Company to purchase all or part of the shares of the Company held by the investors. The redemption price applicable to the occurrence of a deemed liquidation event, shall equal to the aggregate of the Priority Liquidation Amount, plus the proportionate share of the Company's residual assets legally available for distribution after paying the Priority Liquidation Amount to such investors according to the shares redeemed by them then.

Presentation and classification

As the occurrence of the specified redemption triggering events such as no qualified [**REDACTED**] of the Company consummated by the specified date and change of control, is beyond the Company's control, the Company recognized financial liabilities for its obligation to buy back the shares, i.e. the financial instruments issued to investors. The financial liabilities are measured at the present value of the redemption amount. The changes in the carrying amount of the financial liabilities were recorded in profit or loss as "finance costs".

The movements of the financial liabilities recognized for the financial instruments issued to investors during the Relevant Periods are set out below:

The Group and the Company

	2021	**2022**
	RMB'000	*RMB'000*
At beginning of the year	–	539,078
Issuance of shares with preferential rights	511,783	–
Changes in carrying amount of financial instruments issued to investors	27,295	40,943
At ending of the year	539,078	580,021

23 DEFERRED INCOME

The Group

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Government grants	10,678	10,678

The Company

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Government grants	7,678	7,678

Deferred income of the Group mainly represents government grants received for the construction of property, plant and equipment, which would be recognized as "other net income" on a straight-line basis over the expected useful lives of the relevant assets.

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Restricted Share Unit Scheme

Pursuant to a written shareholders' resolution of the Company passed on May 29, 2020, a Restricted Share Unit ("RSU") Scheme ("the Scheme") was adopted for purpose of providing incentives to eligible employees of the Group. The RSUs would be granted to eligible employees of the Group through four companies, which act as the share-based payment vehicles, at a discounted price. Subject to grantees' service to the Group through the applicable vesting date, the RSUs shall vest after 4 years from the date of grant. If employments of the grantees are terminated before the RSUs become vested, the unvested RSUs shall be repurchased at the purchase price paid by the grantees when the RSUs were granted plus reasonable interest. Each RSU entitles the holder to own one ordinary share of the Company. Under the Scheme, the maximum number of RSUs granted shall not exceed 30,000,000 units (equivalent to 30,000,000 ordinary shares of the Company).

The Group granted 21,319,000 RSUs to certain directors and employees of the Group at a discounted price ranging from RMB1 to RMB1.18 per unit on August 24, 2020 (the Grant Date 2020), the date on which employees accepted the terms and conditions of the RSUs offered by the Group.

The Group granted 5,290,000 RSUs to certain directors and employees of the Group at a discounted price at RMB1.30 per unit on December 30, 2022 (the Grant Date 2022), the date on which employees accepted the terms and conditions of the RSUs offered by the Group.

When the Group received cash from grantees for purchasing the RSUs granted, the Group recognized the par value of shares underlying these RSUs in share capital and the difference between cash received and the par value of shares in capital reserves.

Fair value of RSUs

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of RSUs granted at the Grant Date 2020 and the Grant Date 2022 are respectively RMB3 per unit and RMB51.7 per unit, which were determined with reference to the price per share in equity financing transaction with third parties of the Company close to the grant dates.

(a) ***Movements in the number of RSUs are as follows:***

	Number of RSUs Year ended December 31,	
	2021	**2022**
At January 1	20,760,750	15,691,250
Granted during the year	–	5,290,000
Forfeited during the year	(5,069,500)	(2,710,000)
At December 31	15,691,250	18,271,250

(b) ***Equity-settled share-based payment expenses recognized in the consolidated statements of profit or loss during the Relevant Periods:***

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Research and development expenses	4,025	17,759
Administrative expenses	2,471	2,052
	6,496	19,811

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Provision for PRC Corporate Income Tax for the year	–	–
Withholding tax for the year	–	48,735
Withholding tax paid	–	(48,735)
	–	–

(b) Deferred tax assets and liabilities not recognized:

In accordance with the accounting policy set out in note 2(q), as at December 31, 2021 and 2022, the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB4,003,675,000 and RMB4,425,977,000, respectively, as it is not probable that future taxable profits against which the losses can be utilized before expiries.

Pursuant to the relevant laws and regulations in the PRC and US, the unrecognized tax losses at the end of each reporting period will expire in the following years:

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
2022	77	–
2023	794	794
2024	4,527	4,527
2026	2,124	2,124
After 2026	3,996,153	4,418,532
	4,003,675	4,425,977

All the tax losses of the Company can be carried forward for a maximum period of ten years pursuant to Notice No. 76 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on July 11, 2018, since the Company obtained its certificate of the High Technology Enterprise on December 3, 2020.

All the tax losses of the Group's PRC subsidiary can be carried forward for a maximum period of five years.

All the tax losses of the Group's subsidiary in the USA can be carried forward for a maximum period of twenty years.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company

	Note	Share capital	Capital reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021		76,689	41,561	(1,755,845)	(1,637,595)
Changes in equity for 2021:					
Loss for the year		–	–	(808,417)	(808,417)
Issuance of new shares	*26(c)*	18,830	3,198	–	22,028
Issuance of shares with preferential rights	*22*	11,851	499,932	–	511,783
Recognition of financial liabilities recognized for preferential rights issued to investors	*22*	–	(511,783)	–	(511,783)
Equity-settled share-based payment	*24*	–	6,496	–	6,496
Balance at December 31, 2021		107,370	39,404	(2,564,262)	(2,417,488)

	Note	Share capital	Capital reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2022		107,370	39,404	(2,564,262)	(2,417,488)
Changes in equity for 2022:					
Loss for the year		–	–	(574,424)	(574,424)
Equity-settled share-based payment	*24*	–	19,811	–	19,811
Balance at December 31, 2022		107,370	59,215	(3,138,686)	(2,972,101)

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the Relevant Periods.

(c) Share capital

As at December 31, 2021 and 2022, the Company has 116,050,609 shares registered with par value of RMB1 for each share, respectively.

	2021		2022	
	No. of shares	**Amount**	**No. of shares**	**Amount**
		RMB'000		*RMB'000*
Registered share capital				
At January 1	104,200,000	104,200	116,050,609	116,051
Financial instrument issued to investors	11,850,609	11,851	–	–
At December 31	116,050,609	116,051	116,050,609	116,051

		2021		2022	
		No. of shares	**Amount**	**No. of shares**	**Amount**
			RMB'000		*RMB'000*
Ordinary shares, issued and fully paid:					
At January 1		76,688,750	76,689	107,369,609	107,370
Issuance of new shares	*(i)*	18,830,250	18,830	–	–
Financial instrument issued to investors		11,850,609	11,851	–	–
At December 31		107,369,609	107,370	107,369,609	107,370

(i) This amount represents the par value of shares underlying the RSUs received in 2021 (see note 24). During 2021, the share-based payment vehicles paid RMB22,028,000 to the Company in exchange of 18,830,250 shares of the Company.

(d) Nature and purpose of reserves

(i) Capital reserves

The capital reserves comprise the following:

– the amount represents the difference between the consideration received and the par value of the issued shares of the Company;

– the amount related to merger reserves resulted from business combinations in 2020 involving entities under common control;

– the portion of the grant date fair value of unlocked RSUs granted to employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(p); and

– the amount of financial liabilities arising from Series A investments as set out in note 22.

(ii) Exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operation with functional currency other than RMB. The reserves are dealt with in accordance with the accounting policies set out in note 2(s).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted liability-to-asset ratio. For this purpose, adjusted liabilities include bank loans and lease liabilities but exclude financial instruments issued to investors and other borrowings from Kelun Pharmaceutical.

The Group's adjusted liability-to-asset ratio at December 31, 2021 and 2022 was as follows:

	Note	**As at December 31,**	
		2021	**2022**
		RMB'000	*RMB'000*
Current liabilities:			
Bank loans	*20*	30,000	100,000
Lease liabilities	*21*	1,663	82,264
		31,663	182,264
Non-current liabilities:			
Lease liabilities	*21*	1,252	41,292
Adjusted liabilities		32,915	223,556
Total assets		812,958	993,145
Adjusted liability-to-asset ratio		4.05%	22.51%

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

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

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at December 31, 2021, all of the total trade receivables were due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. At December 31, 2021 and 2022, the Group did not provide any loss allowance for trade receivables.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

The Group

	As at December 31, 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at December 31, 2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	2,490,663	–	–	–	2,490,663	2,387,967
Lease liabilities	1,736	298	660	440	3,134	2,915
Trade and other payables	185,256	–	–	–	185,256	185,256
Amounts due to related parties	221,912	–	–	–	221,912	221,912
Financial instruments issued to investors	580,021	–	–	–	580,021	539,078
	3,479,588	298	660	440	3,480,986	3,337,128

	As at December 31, 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	3,013,748	–	–	–	3,013,748	2,890,787
Lease liabilities	86,087	43,103	147	–	129,337	123,556
Trade and other payables	243,405	–	–	–	243,405	243,405
Amounts due to related parties	206,908	–	–	–	206,908	206,908
Financial instruments issued to investors	620,963	–	–	–	620,963	580,021
	4,171,111	43,103	147	–	4,214,361	4,044,677

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at December 31, 2021 and 2022 are the cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's majority interest-bearing financial instruments at fixed interest rates as at December 31, 2021 and 2022 are bank loans, other borrowings from Kelun Pharmaceutical, financial instruments issued to investors and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to significant interest risk.

Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to cash and cash equivalents and amounts due to related parties that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily United States dollars. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the period end date.

USD	As at December 31,	
	2021	2022
	RMB'000	*RMB'000*
Cash and cash equivalents	57,371	5,905
Amounts due to related parties	(182,836)	(199,724)
Other borrowings from Kelun Pharmaceutical	(271,732)	(296,831)
	(397,197)	(490,650)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss before taxation and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31, 2021		As at December 31, 2022	
	Increase/(decrease) in foreign exchange rates	**Effect on loss before tax and accumulated losses**	**Increase/(decrease) in foreign exchange rates**	**Effect on loss before tax and accumulated losses**
		RMB'000		*RMB'000*
USD	10%	(39,720)	10%	(49,065)
	(10%)	39,720	(10%)	49,065

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss before tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis during the reporting period.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

IFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. 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;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

During the year ended December 31, 2021 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the Relevant Periods in which they occur.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at December 31, 2021 and 2022.

28 COMMITMENTS

Commitments outstanding at December 31, 2021 and 2022 not provided for in the financial statements were as follows:

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Contracted for construction in progress	86,332	70,151

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Short-term employee benefits	26,306	27,061
Contributions to defined contribution retirement plan	283	545
Equity-settled share-based payment expenses	1,789	10,726
	28,378	38,332

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Identify of related parties

Name of party	**Relationship with the Group**
Mr. Liu GeXin (劉革新)	Ultimate controlling shareholder
Kelun Pharmaceutical (四川科倫藥業股份有限公司) together with its subsidiaries ("Kelun Group")	Immediate holding company
Sichuan Kelun Medicine & Trade Group Co., Ltd. ("Kelun Medicine & Trade") (四川科倫醫藥貿易集團有限公司) together with its subsidiaries ("Kelun Medicine & Trade Group")	Company controlled by the ultimate controlling shareholder
Sichuan Kelun Doosan Biotechnology Co., Ltd. ("Kelun Doosan") (四川科倫鬥山生物技術有限公司)	A joint venture of Kelun Pharmaceutical

(c) Significant related party transactions

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Trade related:		
Provision of R&D services to:		
Kelun Group	19,919	16,190
Procurement of R&D services from:		
Kelun Group	74,147	15,666
Transfer of R&D projects to:		
Kelun Group	–	39,761
Sales of low-value consumables to:		
Kelun Group	1,040	148
Disposal of PPE to:		
Kelun Group	1,065	16,036

	Year ended December 31, 2021	2022
	RMB'000	*RMB'000*
Procurement of goods from:		
Kelun Group	1,644	7,270
Kelun Medicine & Trade Group	9,838	25,605
	11,482	32,875
Procurement of PPE from:		
Kelun Group	36,990	7,217
Kelun Medicine & Trade Group	–	620
	36,990	7,837
Short-term lease expense to Kelun Group	42,892	–
Receiving other miscellaneous services from:		
Kelun Group	5,732	13,093
Kelun Medicine & Trade Group	–	143
	5,732	13,236
Non-trade related:		
Amounts borrowed from:		
Kelun Group	341,619	299,420
Amounts repaid to:		
Kelun Group	48,251	–
Interest expense on borrowings from Kelun Pharmaceutical	90,209	108,301
Interest expense on lease liabilities to Kelun Group	63	5,571

(d) Balances with related parties

The Group

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Amounts due from:		
– Trade Related:		
Kelun Group	22,583	61,635
Kelun Medicine & Trade Group	–	165
	22,583	61,800
– Non-trade related:		
Kelun Group	105	–
	22,688	61,800

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Amounts due to:		
– Trade Related:		
Kelun Group	193,020	176,308
Kelun Medicine & Trade Group	279	113
	193,299	176,421
– Non-trade related:		
Kelun Group	26,494	29,063
Kelun Doosan	2,119	1,424
	28,613	30,487
	221,912	206,908
Non-trade related:		
Other borrowings from:		
Kelun Pharmaceutical	2,357,967	2,790,787
Trade related:		
Lease liabilities due to:		
Kelun Group	1,340	122,854

The Company

	As at December 31, 2021	2022
	RMB'000	*RMB'000*
Amounts due from:		
– Trade Related:		
Kelun Group	22,583	61,635
Kelun Medicine & Trade Group	–	165
	22,583	61,800
– Non-trade related:		
A subsidiary of the Company	16,202	27,213
Kelun Group	105	–
	16,307	27,213
	38,890	89,013

	As at December 31, 2021	As at December 31, 2022
	RMB'000	*RMB'000*
Amounts due to:		
– Trade Related:		
A subsidiary of the Company	182,836	199,723
Kelun Group	193,020	176,308
Kelun Medicine & Trade Group	279	113
	376,135	376,144
– Non-trade related:		
Kelun Group	–	155
Kelun Doosan	2,119	1,424
	2,119	1,579
	378,254	377,723
Non-trade related:		
Other borrowings from:		
Kelun Pharmaceutical	2,289,252	2,719,449
Trade related:		
Lease liabilities due to:		
Kelun Group	1,340	122,854

The outstanding balances of lease liabilities arising from the leasing arrangement with the Kelun Pharmaceutical are included in "Lease liabilities" (note 21).

The balances of non-trade related amount due to related parties are unsecured, interest-free and payable on demand. All the non-trade balances with related parties as at December 31, 2022 had been fully settled as at date of this report.

As at December 31, 2021 and 2022, other borrowings of RMB2,357,967,000 and RMB2,790,787,000 from Kelun Pharmaceutical were interest-bearing at 4.35% per annum, unsecured and payment on demand.

(e) Guarantee provided by related parties

As disclosed in note 20, the bank loans of RMB30,000,000 and RMB100,000,000 as at December 31, 2021 and 2022, respectively, were guaranteed by related parties. All of the above-mentioned loans guaranteed by related parties had been repaid in February 2023.

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2021 and 2022, the directors consider the immediate parent of the Group to be Kelun Pharmaceutical which is incorporated in the PRC and ultimate controlling party of the Group to be Mr. Liu Gexin. Kelun Pharmaceutical is listed on the Shenzhen Stock Exchange and produces financial statements available for public use.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Up to the date of issue of this report, the IASB has issued a number of amendments, and a new standards and interpretations which are not yet effective for the accounting period beginning on January 1, 2022 and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance contracts* and related amendments	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2*, Disclosure of accounting policies*	January 1, 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	January 1, 2023
Amendments to IAS 8*, Definition of accounting estimates*	January 1, 2023
Amendments to IAS 12*, Deferred tax related to assets and liabilities arising from a single transaction*	January 1, 2023
Amendments to IAS 1*, Classification of liabilities as current or non-current*	January 1, 2024
Amendments to IAS 1*, Non-current Liabilities with Covenants*	January 1, 2024
Amendments to IFRS 16*, Lease Liability in a Sale and Leaseback*	January 1, 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

32 SUBSEQUENT EVENTS

On January 3, 2023, the Company, Kelun Pharmaceutical and the other then Shareholders of the Company entered into a share subscription and debt-to-equity swap agreement, pursuant to which Kelun Pharmaceutical agreed to further subscribe for an aggregate of 51,255,685 shares at a total subscription price of RMB2,650,000,000, among which RMB2,500,000,000 was settled through debt-to-equity swap and RMB150,000,000 was settled by cash on January 16, 2023.

On January 3, 2023, a series of share subscription agreements ("Series B Share Subscription Agreements") were entered into among, the Company, Kelun Pharmaceutical, the other then Shareholders and other investors. Pursuant to the Series B Share Subscription Agreements, the investors agreed to subscribe for an aggregate of 26,076,205 shares at a total subscription price of RMB1,348,181,000 which was completed in February 2023.

33 INTERESTS IN SUBSIDIARIES

The Company

The carrying amounts of interests in subsidiaries of the Company is listed below:

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Interests in subsidiaries	372,707	410,604

For the particulars of subsidiaries, please refer to note 1(b).

Subsequent Financial Statements

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