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**APPENDIX IB**

**UNAUDITED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS OF THE GROUP AS OF AND  
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

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*The following is the text of a report set out on pages IB-1 to IB-15, received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**TO THE BOARD OF DIRECTORS OF IMMUNEONCO BIOPHARMACEUTICALS  
(SHANGHAI) INC.**

**Introduction**

We have reviewed the condensed consolidated financial statements of ImmuneOnco Biopharmaceuticals (Shanghai) Inc. (“宜明昂科生物醫藥技術(上海)股份有限公司”) (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages I-2 to I-15, which comprise the condensed consolidated statement of financial position as of June 30, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provision thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

[•] 2023

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED JUNE 30, 2023*

	<i>NOTES</i>	<b>Six months ended June 30,</b>	
		<b>2022</b>	<b>2023</b>
		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue . . . . .	4	425	86
Other income . . . . .	5	4,212	6,359
Other gains and losses, net . . . . .	6	(40,786)	6,106
Research and development expenses . . . . .		(116,363)	(128,086)
Administrative expenses . . . . .		(46,703)	(41,256)
[REDACTED] expenses . . . . .		<b>[REDACTED]</b>	<b>[REDACTED]</b>
Finance costs . . . . .		(416)	(630)
Loss before tax . . . . .	7	(211,690)	(170,830)
Income tax expense . . . . .	8	—	—
<b>Loss for the period . . . . .</b>		<b>(211,690)</b>	<b>(170,830)</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations . . . . .		20	82
Total comprehensive expenses for the period . . . . .		(211,670)	(170,748)
<b>Loss per share</b>			
— Basic and diluted ( <i>RMB yuan</i> ) . . . . .	9	(0.69)	(0.48)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT JUNE 30, 2023*

	NOTES	At December 31,	At June 30,
		2022	2023
		<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
<b>Non-current assets</b>			
Property and equipment . . . . .	11	69,830	64,264
Right-of-use assets . . . . .	11	94,062	88,978
Other non-current assets . . . . .		24,215	29,610
		<u>188,107</u>	<u>182,852</u>
<b>Current assets</b>			
Trade receivables . . . . .	12	66	4
Prepayments and other receivables . . . . .	13	16,593	8,696
Term deposits with original maturity over three months . . . . .	14	—	43,355
Bank balances and cash . . . . .	15	635,212	495,967
		<u>651,871</u>	<u>548,022</u>
<b>Current liabilities</b>			
Trade and other payables . . . . .	16	46,138	39,185
Lease liabilities . . . . .		5,599	4,826
Borrowings . . . . .	17	—	29,980
		<u>51,737</u>	<u>73,991</u>
<b>Net current assets</b> . . . . .		600,134	474,031
<b>Total assets less current liabilities</b> . . . . .		<u>788,241</u>	<u>656,883</u>
<b>Non-current liabilities</b>			
Lease liabilities . . . . .		9,020	6,808
<b>Net assets</b> . . . . .		<u>779,221</u>	<u>650,075</u>
<b>Capital and reserves</b>			
Paid-in capital . . . . .	18	—	—
Share capital . . . . .	18	356,093	356,093
Reserves . . . . .		423,128	293,982
<b>Total equity</b> . . . . .		<u>779,221</u>	<u>650,075</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

	Paid-in capital	Share capital	Share premium	Capital reserve	Other reserve	Share-based payments reserve	Translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022 (audited) . . . . .	6,908	—	—	1,195,580	(1,200,488)	37,140	7	(1,637,586)	(1,598,439)
Loss for the period . . . . .	—	—	—	—	—	—	—	(211,690)	(211,690)
Other comprehensive income for the period . . . . .	—	—	—	—	—	—	20	—	20
Total comprehensive income (expense) for the period . . . . .	—	—	—	—	—	—	20	(211,690)	(211,670)
Issue of remaining Series C shares . . . . .	276	—	—	183,320	—	—	—	—	183,596
Recognition of liabilities on Series C shares . . . . .	—	—	—	—	(183,596)	—	—	—	(183,596)
Issue of paid-in capital to employee stock ownership platforms . . . . .	730	—	—	5,244	—	—	—	—	5,974
Reclassification of financial liabilities at FVTPL as equity . . . . .	—	—	—	—	2,670,690	—	—	—	2,670,690
Conversion into a joint stock company . . . . .	(7,914)	356,093	654,470	(1,384,144)	(1,286,606)	(41,493)	—	1,709,594	—
Recognition of equity-settled share-based payments (Note 19) . . . . .	—	—	—	—	—	50,825	—	—	50,825
As at June 30, 2022 (unaudited) . . . . .	<u>—</u>	<u>356,093</u>	<u>654,470</u>	<u>—</u>	<u>—</u>	<u>46,472</u>	<u>27</u>	<u>(139,682)</u>	<u>917,380</u>
As at January 1, 2023 (audited) . . . . .	—	356,093	654,470	—	—	99,476	68	(330,886)	779,221
Loss for the period . . . . .	—	—	—	—	—	—	—	(170,830)	(170,830)
Other comprehensive income for the period . . . . .	—	—	—	—	—	—	82	—	82
Total comprehensive income (expense) for the period . . . . .	—	—	—	—	—	—	82	(170,830)	(170,748)
Recognition of equity-settled share-based payments (Note 19) . . . . .	—	—	—	—	—	41,602	—	—	41,602
As at June 30, 2023 (unaudited) . . . . .	<u>—</u>	<u>356,093</u>	<u>654,470</u>	<u>—</u>	<u>—</u>	<u>141,078</u>	<u>150</u>	<u>(501,716)</u>	<u>650,075</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*FOR THE SIX MONTHS ENDED JUNE 30, 2023*

	Six months ended June 30,	
	2022	2023
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss for the period . . . . .	(211,690)	(170,830)
Adjustments for:		
Gain from changes in fair value of financial assets at FVTPL . . . . .	—	(324)
Loss from changes in fair value of financial liabilities at FVTPL . . . . .	55,510	—
Depreciation of property and equipment . . . . .	5,819	6,207
Depreciation of right-of-use assets . . . . .	2,816	5,084
Share-based payment expenses . . . . .	50,825	41,602
Bank interest income . . . . .	(3,937)	(5,279)
Finance costs . . . . .	416	630
Adjustments to [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]
Net foreign exchange gains . . . . .	(14,737)	(5,800)
Operating cash flow before movements in working capital . . .	(114,978)	(124,857)
(Increase) decrease in trade receivables . . . . .	(81)	62
Decrease in prepayments and other receivables . . . . .	7,717	3,910
Decrease (increase) in other non-current assets . . . . .	14,668	(5,395)
Increase (decrease) in trade and other payables . . . . .	1,305	(6,076)
<b>NET CASH USED IN OPERATING ACTIVITIES . . . . .</b>	<b>(91,369)</b>	<b>(132,356)</b>
<b>INVESTING ACTIVITIES</b>		
Bank interest received . . . . .	3,937	5,974
Proceeds on disposal of property and equipment . . . . .	—	324
Purchase of property and equipment . . . . .	(18,713)	(1,345)
Withdrawal of financial assets at FVTPL . . . . .	—	112,000
Purchase of financial assets at FVTPL . . . . .	—	(112,000)
Placement of time deposits with maturity over three months . .	—	(43,355)
Withdrawal of pledged bank deposits . . . . .	8,210	—
<b>NET CASH USED IN INVESTING ACTIVITIES . . . . .</b>	<b>(6,566)</b>	<b>(38,402)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of Series C shares . . . . .	183,596	—
Proceeds from issue of paid-in capital to employee stock ownership platforms . . . . .	5,974	—
Bank loans raised . . . . .	—	29,980
Repayments of lease liabilities . . . . .	(2,258)	(2,984)
Issue costs paid . . . . .	(2,523)	(736)
Interest paid . . . . .	(416)	(630)
<b>NET CASH FROM FINANCING ACTIVITIES . . . . .</b>	<b>184,373</b>	<b>25,630</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .</b>	<b>86,438</b>	<b>(145,128)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD . . . . .</b>	<b>668,326</b>	<b>635,212</b>
Effect of foreign exchange rate changes . . . . .	14,756	5,883
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD . . . . .</b>	<b>769,520</b>	<b>495,967</b>

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**1. GENERAL INFORMATION**

The Company was incorporated in the People’s Republic of China (the “PRC”) on June 18, 2015 as a limited liability company. On June 14, 2022, the Company was converted to a joint stock company with limited liability under the Company Law of the PRC. The respective address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the document dated [Date] 2023 (the “Document”).

The Group is a science-driven biotechnology group dedicated to the development of immuno-oncology therapies.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

**2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in Historical Financial Information included in the accountants’ report as set out in Appendix IA to the Document.

**4. REVENUE AND SEGMENT INFORMATION**

	Six months ended June 30,	
	2022	2023
	<i>RMB’000</i> (unaudited)	<i>RMB’000</i> (unaudited)
<b>Types of goods or services</b>		
<i>A point in time</i>		
Sales of cell strain and other products. . . . .	386	86
Testing services. . . . .	39	—
	425	86
	425	86

**Sales of cell strain and other products**

Revenue from sales of cell strain and other products is recognized when the control of the relevant product is obtained by customers. To gain control over a product means to dominate the use of the product and gain almost all economic benefits from it. All sales of products are for a period of less than one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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**Testing services**

The Group earns revenues by providing testing services to its customers through fee-for-service contracts. Contract duration ranges from a few days to weeks. Services revenue are recognized at a point of time upon the customer obtains deliverables of the Group’s service. All testing services are for a period of less than one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

**Segment information**

Operating segments are identified on the basis of internal reports about components’ of the Group that are regularly reviewed by the chief operating decision maker (“**CODM**”), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance.

During the Trade Record Period, the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single segment and no further analysis of the single segment is presented.

**Geographical information**

As at December 31, 2022 and June 30, 2023, all non-current assets are located in the PRC.

**5. OTHER INCOME**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>
	(unaudited)	(unaudited)
Government grants ( <i>Note</i> ) . . . . .	275	1,038
Bank interest income . . . . .	3,937	5,279
Others . . . . .	—	42
	<u>4,212</u>	<u>6,359</u>

*Note:*

The amount represents various subsidies received from the PRC local government authorities as incentives mainly for the Group’s research and development activities.

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**6. OTHER GAINS AND LOSSES, NET**

	Six months ended June 30,	
	2022	2023
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Loss from changes in fair value of financial liabilities at FVTPL .....	(55,510)	—
Net foreign exchange gains .....	14,737	5,800
Gain from changes in fair value of financial assets at FVTPL .....	—	324
Others .....	(13)	(18)
	(40,786)	6,106

**7. LOSS BEFORE TAX**

	Six months ended June 30,	
	2022	2023
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Loss before tax has been arrived at after charging:		
Depreciation of property and equipment .....	5,819	6,207
Depreciation of right-of-use assets .....	4,930	5,084
Total depreciation .....	10,749	11,291
Capitalised in construction in progress .....	(2,114)	—
	8,635	11,291
<b>[REDACTED]</b> expenses .....	<b>[REDACTED]</b>	<b>[REDACTED]</b>
Directors' and supervisors' emoluments .....	35,872	29,400
Other staffs costs:		
Salaries and other benefits .....	19,601	29,036
Discretionary bonus .....	2,463	2,687
Retirement benefit scheme contributions .....	1,549	2,505
Share-based payments .....	19,551	16,501
Total staff costs .....	79,036	80,129

**8. INCOME TAX EXPENSE**

No provision for income tax expense has been made since the Company and its subsidiaries have no assessable profits for both periods.



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**9. LOSS PER SHARE**

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended June 30,	
	2022	2023
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
<b>Loss</b>		
Loss for the purpose of basic loss per share for the period attributable to owners of the Company ( <i>RMB'000</i> ) . . . . .	(211,690)	(170,830)
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share ( <i>Note i</i> ) . . . . .	307,092	356,093
Basic and diluted loss per share ( <i>RMB yuan</i> ) ( <i>Note ii</i> ) . . . . .	(0.69)	(0.48)

*Notes:*

- (i) Certain investors' shares, which are recorded as Financial Liabilities at FVTPL in the Historical Financial Information included in the accountants' report as set out in Appendix IA to the Document, are not treated as outstanding shares and thus are excluded in the calculation of basic loss per share until the redemption right was legally terminated on January 31, 2022. The Company was converted to a joint stock company on June 14, 2022, 356,092,695 ordinary shares with par value of RMB1 each were [REDACTED] and [REDACTED] to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. This [REDACTED] of share capital is applied retrospectively for the purpose of calculating basic loss per share, as adjusted for the capital contributions by the then shareholders and the number of ordinary shares.
- (ii) 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 period from January 1, 2022 to January 31, 2022, the Company had certain investors' shares which are potential ordinary shares. As the Group incurred losses for the six months ended June 30, 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 six months ended June 30, 2022 and 2023 are the same as basic loss per share for the respective periods.

**10. DIVIDENDS**

No dividend was paid, declared or proposed for the shareholders of the Company during six months ended June 30, 2022 and 2023, nor has any dividend been proposed since the end of the reporting period.

**11. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

The Group incurred approximately RMB0.6 million and RMB22.8 million for the six months ended June 30, 2022 and 2023, respectively, for acquisition of machinery and equipment.

For the six months ended June 30, 2022 and 2023, the Group doesn't have new lease agreement.

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**12. TRADE RECEIVABLES**

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service or delivery of goods at the end of the reporting period:

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Within 30 days .....	11	—
31–60 days .....	6	2
61–120 days .....	27	2
121–180 days .....	22	—
	66	4

The Group normally grants a credit period of 30 days or a particular period agreed with customers effective from the date when the services have been completed or control of goods has been transferred to the customer and billed to the customer.

**13. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
<b>Other receivables:</b>		
Deferred issue costs .....	6,330	3,038
Interest receivables .....	925	230
Others .....	32	30
<b>Prepayments for:</b>		
Purchase goods and research and development services . . . .	9,043	5,215
Others .....	263	183
	16,593	8,696

**14. TERM DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS**

As at June 30, 2023, the term deposits with original maturity over three months amounted US\$6,000,000 (equivalent to RMB43,355,000) carry interest at 4.85% per annum. These term deposits will mature within 12 months.

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**15. BANK BALANCES AND CASH**

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Cash at bank . . . . .	635,212	495,967

Bank balances held by the Group carry interests at market rates ranging from 0.01% to 4.74% and 0.25% to 5.25% as at December 31, 2022 and June 30, 2023, respectively.

The carrying amounts of the Group’s term deposits and bank balances and cash denominated in currencies other than functional currencies of the relevant group entities at the end of the reporting period are as follows:

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
USD . . . . .	207,784	162,922

**16. TRADE AND OTHER PAYABLES**

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Trade payables for research and development expenses . . . . .	1,262	436
Accrued research and development expenses . . . . .	16,199	13,137
Accrued staff costs and benefits . . . . .	12,709	9,340
Accrued [REDACTED] costs . . . . .	[REDACTED]	[REDACTED]
Accrued [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]
Payables for leasehold improvements . . . . .	5,705	5,002
Other tax payables . . . . .	612	589
Others . . . . .	237	156
	<u>46,138</u>	<u>39,185</u>

The average credit period on purchases of goods/services of the Group is 45 days. Ageing analysis of the Group’s trade payables based on the invoice dates at the end of the reporting period is as follows:

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
0–30 days . . . . .	713	436
31–90 days . . . . .	481	—
91–180 days . . . . .	68	—
	<u>1,262</u>	<u>436</u>

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**17. BORROWINGS**

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Unsecured bank borrowings . . . . .	—	29,980
The carrying amounts of the above borrowings are repayable:		
Within one year . . . . .	—	29,980

The interest rate of the bank borrowings ranged from 3.1% to 3.9% per annum.

**18. SHARE CAPITAL**

As disclosed in Note 1, the Company converted into a joint stock company on June 14, 2022, the balance as at January 1, 2022 represented the paid-in capital of the Company prior to the conversion of the Company. Share capital as at June 30, 2022, December 31, 2022 and June 30, 2023, represented the issued share capital of the Company.

**Paid-in capital**

	<b>Paid-in capital</b>
	<i>RMB'000</i>
<b>Issued and paid</b>	
As at January 1, 2022 (audited) . . . . .	6,908
Issue of Series C Shares ( <i>Note i</i> ) . . . . .	276
Issue of paid-in capital to share incentive platforms ( <i>Note ii</i> ) . . . . .	730
Conversion into a joint stock company ( <i>Note iii</i> ) . . . . .	(7,914)
As at June 30, 2022 (unaudited), December 31, 2022 (audited) and June 30, 2023 (unaudited) . . . . .	—

**Share capital**

	<b>Number of shares</b>	<b>Nominal value of shares</b>
		<i>RMB'000</i>
Ordinary shares of RMB1 each		
<b>Authorized and issued</b>		
As at January 1, 2022 (audited) . . . . .	—	—
Issue of ordinary shares upon conversion into a joint stock company ( <i>Note iii</i> ) . . . . .	356,092,695	356,093
As at June 30, 2022 (unaudited), December 31, 2022 (audited) and June 30, 2023 (unaudited) . . . . .	356,092,695	356,093

*Notes:*

- (i) In December 2021, the Company completed Series C financing, with the first tranche of RMB373,176,000 invested into the Company, among which RMB560,000 was credited to the Company’s paid-in capital and the remaining balance was credited as capital reserve. In January 2022, the remaining of Series C financing of RMB183,596,000 was invested into the Company, among which RMB276,000 was credited to the Company’s paid-in capital and the remaining balance was credited as capital reserve.

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- (ii) In January 2022, Jiaxing Changyu Enterprise Management Center (“**Jiaxing Changyu**”) and Halo Biomedical Investment II Limited (“**Halo Investment II**”) (the Company’s employee shareholding platforms disclosed in note 19) subscribed for the Company’s registered capital of RMB330,000 and RMB400,000, respectively.
- (iii) On June 14, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. A portion of the Company’s net assets as of January 31, 2022 was converted into 356,092,695 shares with a nominal value of RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company’s share premium.

**19. SHARE-BASED PAYMENT TRANSACTIONS**

**Restricted shares scheme**

The restricted shares (“**RS**”) issued under the Jiaxing Changxian Enterprise Management Center restricted shares scheme, which are disclosed in Note 31 to the Historical Financial Information included in the accountants’ report as set out in Appendix IA to the Document, has no change for the six months ended June 30, 2023.

The restricted shares issued under the Jiaxing Changyu RS Scheme, which are disclosed in Note 31 to the Historical Financial Information included in the accountants’ report as set out in Appendix IA to the Document, has no change for the six months ended June 30, 2023, except for the following:

Grant date	Amount of registered capital	Grantee	Vesting schedule defined in contract term	Sell back rights/ Repurchase rights
	<i>RMB’000</i>			
May 31, 2023 . . . . .	4	An employee	25% 12 months after grant date; 25% 24 months after grant date; 25% 36 months after grant date; 25% 48 months after grant date; With the achievement of certain performance conditions	<i>Note i</i>

*Note:*

- (i) Before the date of [REDACTED], grantees, during their tenure, have right to discuss with the executive partner of the platform or a third party designated by the executive partner to sell the RSs of not more than 30% of the vested shares at a price referring to the most recent post-investment valuation of the Company. If the grantees terminate the labor relationship with the Company, the executive partner of Jiaxing Changyu has the right to buy back the vested RSs from the grantees at original consideration plus interest at 5% of similar period or decide that the grantees to keep the RSs.

The restricted shares issued through Halo Investment II, which are disclosed in Note 31 to the Historical Financial Information included in the accountants’ report as set out in Appendix IA to the Document, has no change for the six months ended June 30, 2023.

Part of the RSs issued through Halo Investment II were granted to Dr. Yumei Ding, spouse of Dr. Tian, for her services provided to the Group, which constituted a related party transaction. The expenses recognized for the share-based payment transaction the six months ended June 30, 2022 and 2023 were RMB4,634,000 (unaudited) and RMB1,090,000 (unaudited), respectively.

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The following table summarized the movement of the Group’s unvested restricted shares:

	<b>Unvested registered capital</b>	<b>Weighted average grant date fair value per registered capital</b>
	<i>'000</i>	<i>RMB</i>
Unvested as at December 31, 2021 (audited) . . . . .	325	240.67
Granted . . . . .	396	406.39
Vested . . . . .	(180)	303.36
Unvested as at June 14, 2022, before conversion to a joint stock company ( <i>Note</i> ) . . . . .	<u>541</u>	<u>340.83</u>

*Note:*

The Company was converted to a joint stock company on June 14, 2022, 356,092,695 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day and following table to reflect the impact of the conversion. One registered share capital before the conversion represented 45 shares of the joint stock company:

	<b>Unvested restricted shares</b>	<b>Weighted average grant date fair value per restricted shares</b>
	<i>'000</i>	<i>RMB</i>
Unvested as at June 14, 2022 and June 30, 2022 (unaudited) . . . . .	24,345	7.57
Unvested as at December 31, 2022 (audited) . . . . .	18,000	7.70
Granted . . . . .	180	10.15
Vested . . . . .	(5,175)	7.69
Cancelled . . . . .	(180)	10.15
Unvested as at June 30, 2023 (unaudited) . . . . .	<u>12,825</u>	<u>7.70</u>

**Fair value of RS**

The Group used the back-solve method to determine the underlying equity fair value of the Company. For the six months ended June 30, 2023, the fair value of RS at grant date was determined to be RMB464.85 per RMB1 registered capital, by referring to the equity fair value of the Company and the purchase price of the RS is RMB8.21. The foresaid fair value of RS at date of grant was valued by directors of the Company with reference to valuation reports carried out by AVISTA.

The Group has recognized share-based payment expenses of RMB50,825,000 (unaudited) and RMB41,602,000 (unaudited) for the six months ended June 30, 2022 and 2023, respectively.

**20. CAPITAL COMMITMENT**

	<b>At December 31, 2022</b>	<b>At June 30, 2023</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements:		
Acquisition of property and equipment . . . . .	<u>5,713</u>	<u>4,821</u>

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**21. RELATED PARTY TRANSACTIONS**

Except for the disclosed services with Dr. Yumei Ding in Note 19, the Group has the following transactions with its related parties during the Track Record Period.

**Compensation of key management personnel**

The remuneration of directors of the Company and other members of key management was as follows:

	Six months ended June 30,	
	2022	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries and other benefits .....	4,977	6,605
Retirement benefits scheme contribution .....	127	327
Discretionary bonus ( <i>Note</i> ) .....	1,027	1,098
Share-based payments .....	37,521	35,780
	<u>43,652</u>	<u>43,810</u>

*Note:* Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

**22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

The fair value of financial assets and financial liabilities (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

**(i) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis**

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

**23. EVENTS AFTER THE END OF THE REPORTING PERIOD**

There has been no significant event since the end of the reporting period.