You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to the future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

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

OVERVIEW

We are a biotechnology company dedicated to developing BsAb-based therapies to treat cancer or cancer-associated complications and age-related ophthalmologic diseases. We have designed and developed a pipeline of seven clinical-stage drug candidates.

We currently have no products approved for commercial sales and have not generated any revenue from product sales. We have not been profitable and have incurred operating losses during the Track Record Period. For the years ended December 31, 2021 and 2022, we had loss and total comprehensive expense of RMB148.5 million and RMB188.9 million, respectively.

We expect to incur an increased amount of operating expenses for the next several years as we further our preclinical research, continue the clinical development of, seek regulatory approval for and manufacture, our drug candidates, launch our pipeline products, and add personnel necessary to operate our business. Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, regulatory approval timeline and commercialization of our drug candidates.

BASIS OF PREPARATION

Our Company was established in Wuhan, the PRC on July 8, 2010 as a limited liability company. On January 13, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. For details, please refer to the paragraphs headed "History, Development and Corporate Structure – Establishment and Corporate Development" in this document.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended December 31, 2021 and 2022, and the consolidated statements of financial position of the Group as of December 31, 2021 and 2022, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**") have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**").

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our ability to successfully complete the clinical development, obtain regulatory approvals and achieve commercialization of our drug candidates

All of our drug candidates are still in development. Our ability to generate revenue and realize profitability depends on our ability to successfully complete the development of our drug candidates, obtain necessary regulatory approvals, and manufacture and commercialize our drug candidates. As of the Latest Practicable Date, we have strategically designed and developed our pipeline of seven drug candidates under clinical development in China. With respect to M701, our Core Product, we are currently conducting a Phase II clinical trial in treating MA. We also commenced the Phase Ib/II clinical trial of M701 in treating MPE in China in November 2022. For more details, please refer to the section headed "Business" in this document.

Although we currently do not have any drug that is approved for commercial sales and have not generated any revenue from sales of our drug candidates, we expect to commercialize one or more of our drug candidates over the coming years as they move towards the final stages of development. Once our drug candidates are commercialized, our business and results of operations will be driven by the market acceptance and sales of our commercialized drugs and by our manufacturing capacity to meet the commercial demand. However, the commercialization may require significant marketing efforts before we are able to generate any revenue from sales of our drug candidates. If we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected.

Our cost structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses and administrative expenses.

We have invested a significant portion of our efforts and financial resources in the development of our existing drug candidates, and we expect to continue to incur substantial and increasing expenditures for the development and commercialization of our drug candidates. Research and development expenses have been and are expected to continue to be a major component in our cost structure. During the Track Record Period, our research and development expenses primarily consisted of: (i) technical service fees; (ii) raw materials costs; (iii) employee benefit expenses, including non-cash share-based payments; (iv) depreciation and amortization expenses; and (v) others. For detailed information, please refer to the paragraphs headed "– Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Research and Development Expenses" in this section. For the years ended December 31, 2021 and 2022, our research and development expenses amounted to RMB112.9 million and RMB157.3 million, respectively, of which our non-cash share-based payments were RMB25.0 million and nil for the years ended December 31, 2021 and 2022, respectively.

Our current research and development activities mainly relate to the clinical advancement of our Core Product and other drug candidates. We expect our research and development expenses to continue to increase for the foreseeable future as we advance the clinical development of our drug candidates to maximize their clinical and commercial potential, as well as to explore and advance the clinical development of our drug candidates for the treatment of additional indications.

During the Track Record Period, our administrative expenses primarily included: (i) employee benefits expenses, including non-cash share-based payments; (ii) professional parties' fees; (iii) depreciation and amortization expenses; (iv) business development fees; (v) freight and miscellaneous fees; and (vi) others. For detailed information, please refer to the paragraphs headed "– Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Administrative Expenses" in this section. For the years ended December 31, 2021 and 2022, our administrative expenses amounted to RMB31.5 million and RMB20.5 million, respectively, of which our non-cash share-based payments were RMB14.6 million and RMB1.6 million for the years ended December 31, 2021 and 2022, respectively.

We expect our cost structure to evolve as we continue to develop and expand our business. As the preclinical studies and clinical trials of our drug candidates continue to progress and as we gradually commercialize our product pipeline, we expect to incur additional costs in relation to, among other things, preclinical study and clinical trial expenses, CMC expenses, raw materials procurements, manufacturing and sales and marketing. To support our business growth, we also expect to expand our headcount, particularly for our clinical development and

commercialization teams, and incur higher employee costs as a result. Additionally, we anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong following the completion of the [**REDACTED**].

Funding for our operations

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

Redemption liabilities on ordinary shares

From December 2020 to July 2021, we entered into a series of investment agreements with independent investors, namely the Series B Financing, Series B+ Financing, and Series B++ Financing agreements, which we recognized as financial liabilities at amortized costs. As a result, as of December 31, 2020, we recorded redemption liabilities on ordinary shares of RMB105.0 million. However, our redemption liabilities on ordinary shares are non-cash items and have ceased to impact our financial performance since August 30, 2021, as we no longer recorded any redemption liabilities on ordinary shares since then, and our investors' redemption rights were terminated on the same day. Our redemption liabilities on ordinary shares were then derecognized and credited to other reserve. With the continuing expansion of our business and development of our drug candidates, we may require further funding through private equity financings.

Our present and future collaborations

We actively seek strategic collaborations with resourceful partners to support the development and commercialization of our drug candidates. For instance, we are developing Y2019 in a collaboration arrangement, and have transferred the interests of Y400 to a third party. For more details, please refer to the paragraphs headed "Business – Collaboration Agreements" in this document. These collaborations allow us to leverage our partners' resources, and provide us opportunities to explore innovative modalities and therapies that employ new mechanisms through cooperation with other innovative drug developers. Our ability to identify resourceful partners and enter into prospective collaboration agreements may affect the commercial value of our drug candidates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRSs. The preparation of our consolidated financial statements requires our Directors to make estimates, judgment and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities at the end of each period of the Track Record Period. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We based our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances. Uncertainty about these estimates and assumptions could results in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our more critical accounting policies and significant estimates, assumptions and judgment are described below. Please refer to Notes 4 and 5 to the Accountants' Report set out in Appendix I to this document for further details of our accounting policies, estimates and judgments.

Critical Accounting Policies

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation and presenting of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes the applicable disclosures required by the Listing Rules and by the Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, we take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Government grants

Government grants are not recognized until there is reasonable assurance that the grants will be received and that all attaching conditions will be complied with.

Government grants are recognized in profit or loss on a systemic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Share-based payments

Equity-settled share-based payment transactions

Share options/restricted shares ("RS") granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For RS that vest immediately at the date of grant, the fair value of the RS granted is expensed immediately to profit or loss.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, we recognize, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if we modify the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, we take the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification occurs after vesting period, the incremental fair value granted is recognized immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, we continue to account for the original equity instruments granted as if that modification had not occurred.

Property and equipment

Property and equipment are tangible assets that are held for use in supply of services, or for administrative purposes other than construction in progress. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by our Directors, including costs of testing whether the related asset is functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When our Group makes payments for ownership interests of properties which includes leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognized as expenses in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by us are recognized at the proceeds received, net of direct [**REDACTED**] costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost

Financial liabilities included trade and other payables, bank borrowings, amount due a a subsidiary, amount due to a related party and redemption liabilities on ordinary shares are subsequently measured at amortized cost, using the effective interest method.

Redemption liabilities of ordinary shares

For the redeemable obligation on certain ordinary shares issued by our Company as detailed in Note 29 of the Accountants' Report in Appendix I to this document, financial liabilities are recognized by our Company to purchase our own equity instruments for cash and measured at the present value of the redemption amount. The debit recognized in equity on initial recognition is presented as "other reserves". The financial liabilities are subsequently measured at amortized cost, of which interest is accrued in accordance with the effective interest method in profit or loss. When the redemption rights related to the ordinary shares are terminated, redemption liabilities on ordinary shares are extinguished and credited to equity.

Derecognition of financial liabilities

We derecognize financial liabilities when, and only when, our obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Critical Accounting Judgments and Estimates

The following are the critical judgments that our Directors have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenses

Research and development expenses incurred on our drug product pipelines are capitalized and deferred only when we can demonstrate (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) our intention to complete and our ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the pipeline; and (v) the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. Our Directors assess the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, all research and development expenses were expensed when incurred.

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

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years indicated derived from our consolidated statements of profit or loss and other comprehensive income set forth in the Accountants' Report in Appendix I to this document:

	Year Ended December 31,	
	2021	**2022**
	(RMB in thousands)	
Other income	12,798	2,560
Other gains and losses	716	671
Research and development expenses	(112,893)	(157,329)
Administrative expenses	(31,497)	(20,525)
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Finance costs	(14,972)	(2,468)
Loss before tax	(148,518)	(188,866)
Loss and total comprehensive expenses for the year	(148,518)	(188,866)

Other income

During the Track Record Period, our other income mainly consisted of: (i) government grants; (ii) income from sales of protein antigen; (iii) bank interest income; and (iv) others.

Government grants included grants received from various PRC government authorities mainly in connection with the enterprise development support and subsidies which had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition. Income from sales of protein antigen, which is not considered as the principal business of the Group, was related to sales to a single customer, an Independent Third Party. Bank interest income included interest from bank deposits. Others included other miscellaneous non-operating income.

The following table sets forth a breakdown of our other income for the years indicated:

	Year Ended December 31,	
	2021	2022
	(RMB in thousands)	
Government grants	12,093	2,254
Income from sales of protein antigen	472	–
Bank interest income	162	283
Others	71	23
	12,798	2,560

Other gains and losses

During the Track Record Period, our other gains and losses mainly consisted of: (i) loss on disposal of property and equipment; (ii) gains from changes in fair value of financial assets at FVTPL; and (iii) others.

The following table sets forth a breakdown of our other gains and losses for years indicated:

	Year Ended December 31,	
	2021	2022
	(RMB in thousands)	
Loss on disposal of property and equipment	(545)	(3)
Gain from changes in fair value of financial assets at FVTPL	1,261	671
Others	–	3
Total	716	671

Loss on disposal of property and equipment represented our losses from disposing certain assets. Gain from changes in fair value of financial assets at FVTPL represented the gain from recognizing fair value changes in wealth management products and structured deposits purchased by us and managed by financial institutions in China. For further details, please refer to the paragraphs headed "– Financial Assets at FVTPL" in this section.

Research and development expenses

During the Track Record Period, our research and development expenses mainly consisted of: (i) technical service fees; (ii) raw materials costs; (iii) employee benefit expenses; (iv) depreciation and amortization expenses; and (v) others. Technical service fees mainly related to our engagement with third party service providers including CROs, SMOs, CMOs/CDMOs, clinical trial sites and principal investigators, as well as other expenses incurred in connection with our pre-clinical studies and clinical trials. Raw materials costs mainly included expenses for procuring materials and consumables used to support our preclinical studies and clinical trials. Employee benefit expenses consisted of wages and salaries, share-based payment, bonuses and other employee benefits for research and development employees. Particularly, the total share-based payment expenses for our R&D employees were RMB25.0 million and nil in 2021 and 2022, respectively. Depreciation and amortization expenses mainly represented the depreciation and amortization of our right-of-use assets, property and equipment for research and development purposes. Others mainly included general expenses including utilities, traveling and transportation expenses and other miscellaneous expense incurred for research and development purposes.

The following table sets forth breakdowns by activities of our research and development expenses in absolute amount and as percentages of our total research and development expenses for the years indicated:

	Year Ended December 31,			
	2021		2022	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
Technical service fees	42,163	37.3	101,247	64.4
Raw materials costs	17,595	15.6	21,481	13.7
Employee benefit expenses	41,997	37.2	24,072	15.3
Depreciation and amortization expenses	6,390	5.7	5,722	3.6
Others	4,748	4.2	4,807	3.0
Total	112,893	100.0	157,329	100.0

The technical service fees increased significantly from RMB42.2 million in 2021 to RMB101.2 million in 2022, primarily due to (i) increased service fees incurred for the PK, PD and safety evaluation studies of Y400 and Y332 conducted in 2022, in preparation of their IND applications in January 2023; (ii) increased expenses incurred for the Phase II clinical trial for M701 in treating MA that commenced in December 2021 and the Phase Ib/II clinical trial for M701 in treating MPE that commenced in November 2022; and (iii) increased expenses incurred for the Phase Ia clinical trial of Y2019 that commenced in April 2022.

The non-cash R&D expenses we incurred during the Track Record Period consisted primarily of (a) share-based payment expenses for R&D employees of RMB25.0 million and depreciation and amortization expenses of RMB6.4 million in 2021; and (b) depreciation and amortization expenses of RMB5.7 million in 2022.

The share-based payment expenses for R&D employees decreased from RMB25.0 million in 2021 to nil in 2022, as the Group did not grant share-based payments for R&D employees in 2022. The depreciation and amortization expenses remained relatively stable from 2021 to 2022.

The following table sets forth the research and development expenses incurred for our drug candidates in absolute amount and as percentages of our total research and development expenses for the years indicated:

	Year Ended December 31,			
	2021		2022	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
M701	9,867	8.7	23,529	15.0
MA	9,779	8.7	18,036	11.5
MPE[(1)]				
Solid Tumor[(1)]	88	0.0	5,493	3.5
Y101D	27,085	24.0	13,627	8.7
Y150	4,791	4.2	5,248	3.4
Y2019	23,740	21.0	21,290	13.5
M802	10,995	9.7	3,344	2.1
Y332	5,484	4.9	32,771	20.8
Y400	8,372	7.4	41,044	26.1
Other drug candidates[(2)]	22,559	20.0	16,477	10.4
Total	112,893	100.0	157,329	100.0

Notes:

(1) In 2021 and 2022, the R&D expenses incurred for the pre-clinical studies of M701's treatment of MPE and solid tumor were generally applied to both indications.

(2) Other drug candidates include our other in-house-developed, early stage drug candidates.

We have invested significant R&D resources for the R&D of M701 since we commenced the molecular design of M701 in July 2013. Based on our management accounts, between 2013 and 2020, the approximate aggregate amount of the R&D expenses incurred for M701 were higher than the approximate aggregate amount of the R&D expenses incurred for any other drug candidate then being developed by us, both in absolute amount and as percentages of our Group's total R&D expenses incurred for the same period.

The R&D expenses for M701 incurred during the Track Record Period consisted primarily of (i) expenses incurred for the clinical trials for the Phase I and Phase II clinical trials of M701 for the treatment of MA; and (ii) expenses incurred for the pre-clinical studies of M701 for the treatment of MPE and solid tumor. The R&D expenses for M701 increased from RMB9.9 million in 2021 to RMB23.5 million in 2022, mainly due to (i) the increased technical service expenses incurred for the Phase II clinical trial of M701 for the treatment of MA, as we commenced such Phase II clinical in December 2021; and (ii) the increased expenses for the safety evaluation of M701 for the treatment of MPE and solid tumor.

The R&D expenses for Y101D decreased from RMB27.1 million in 2021 to RMB13.6 million in 2022, mainly because (i) we incurred substantial R&D expenses for pre-clinical studies of Y101D in 2021 in preparation of its IND application; and (ii) we did not incur significant expenditures for a period in 2022 during which we were preparing for the clinical trials of Y101D.

The R&D expenses for Y150 remained relatively stable at RMB5.2 million in 2022, as compared to RMB4.8 million in 2021. The R&D expenses for Y2019 remained stable from RMB23.7 million in 2021 to RMB21.3 million in 2022.

The R&D expenses for M701 in 2021 accounted for approximately 8.7% of the total R&D expenses in 2021, lower than such percentages of Y101D (24.0%) and Y2019 (21.0%) in 2021. This was primarily owing to (i) the significant R&D expenses incurred for the pre-clinical studies of Y101D before it initiated the Phase I clinical trial in patients with metastatic or locally advanced solid tumors in China in August 2021; (ii) the higher R&D expenses incurred for the pre-clinical studies and the subsequent production of Y2019 for future clinical trials in 2021. As to M701, the Phase I clinical trial of M701 for the treatment of MA was completed in January 2022; thus, a large portion of R&D activities for M701 in 2021 were mainly related to clinical data analysis and preparation of clinical trial report without significant expenditures, leading to a lower percentage in 2021.

Along with the advancement of the development of M701, the R&D expenses for M701 was RMB23.5 million in 2022, accounting for approximately 15.0% of the total R&D expenses in 2022, higher than such percentages of Y101D, Y150 and Y2019 in the same year. Meanwhile, the R&D expenses for M701 in 2022 were lower than the R&D expenses for Y332 (20.8%) and Y400 (26.1%) in 2022 by proportion, primarily due to the significant expenses incurred for the accelerated pre-clinical studies of Y332 and Y400 in 2022 in preparation of their IND applications in January 2023.

Administrative expenses

During the Track Record Period, our administrative expenses mainly consisted of: (i) employee benefits expenses; (ii) professional parties' fees; (iii) depreciation and amortization expenses; (iv) business development fees; (v) freight and miscellaneous fees; and (vi) others. Employee benefits expenses consisted of wages and salaries, share-based payments, bonuses and other employee benefits for administrative employees. Professional parties' fees represented our engagement of professional parties during our ordinary course of business. Depreciation and amortization expenses represented the depreciation and amortization of our right-of-use assets, property and equipment for administrative purposes. Business development expenses represented administrative fees incurred as a result of our business development activities. Freight and miscellaneous fees comprised of transportation expenses. Others mainly included lease expenses, utility fees, traveling expenses, office consumables, and other miscellaneous expenses. The following table sets forth breakdowns of our administrative expenses in absolute amount and as percentages of our total administrative expenses for the years indicated:

	Year Ended December 31,			
	2021		2022	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
Employee benefits expenses	21,396	67.9	9,114	44.4
Professional parties' fees	3,176	10.1	2,914	14.2
Depreciation and amortization expenses	1,227	3.9	1,222	6.0
Business development fees	1,499	4.8	2,704	13.2
Freight and miscellaneous fees	563	1.8	457	2.2
Others	3,636	11.5	4,114	20.0
Total	31,497	100.0	20,525	100.0

[REDACTED] expenses

[**REDACTED**] expenses represent expenses incurred for our proposed [**REDACTED**] and [**REDACTED**]. For the years ended December 31, 2021 and 2022, we recorded [**REDACTED**] expenses of RMB[**REDACTED**] and RMB[**REDACTED**], respectively.

Finance costs

During the Track Record Period, our finance costs consisted of: (i) interest expenses on bank and other borrowings; (ii) interest expenses on lease liabilities; and (iii) interest expenses on redemption liabilities on ordinary shares. For further details, please refer to the paragraphs headed "– Redemption liabilities on ordinary shares" in this section. The following table sets forth breakdowns of our finance costs in absolute amount and as percentages of our total finance costs for the years indicated:

	Year Ended December 31,			
	2021		2022	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
Interest expenses on bank and other borrowings	1,208	8.1	2,448	99.2
Interest expenses on lease liabilities	42	0.3	20	0.8
Interest expenses on redemption liabilities on ordinary shares	13,722	91.6	–	–
Total	14,972	100.0	2,468	100.0

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Other income

Our other income decreased from RMB12.8 million in 2021 to RMB2.6 million in 2022. The decrease was primarily due to: (i) the decrease of government grants of RMB9.8 million in 2022 as government grants are non-recurring in nature, subject to the satisfaction of certain conditions each year, and (ii) the decrease of income from sales of protein antigen of RMB0.5 million in 2022 as it was an one-off transaction in 2021 based on a technical service agreement with an Independent Third Party.

Other gains and losses

Our other gains remained stable at RMB0.7 million in 2021 and 2022.

Research and development expenses

Our research and development expenses increased from RMB112.9 million in 2021 to RMB157.3 million in 2022. The increase was primarily due to: (i) the expenses incurred from the technical service for Phase I clinical trials of Y150, Y101D and Y2019, and the Phase II clinical trial of M701; and (ii) the increase in our purchases of raw materials as a result of increased production of stock solutions and reagents for Y332 and Y400. Such increase was partially offset by the decrease in employee benefits expenses as we did not grant share-based payments for research and development employees in 2022.

Administrative expenses

Our administrative expenses decreased from RMB31.5 million in 2021 to RMB20.5 million in 2022, primarily due to the decrease in share-based payments for administrative employees in 2022 and was partially offset by the increase of business development fees.

[**REDACTED**] ***expenses***

Our [**REDACTED**] expenses increased from RMB[**REDACTED**] in 2021 to RMB[**REDACTED**] in 2022, mainly in relation to the engagement of professional parties in preparation for our proposed [**REDACTED**].

Finance costs

Our finance costs decreased from RMB15.0 million in 2021 to RMB2.5 million in 2022, primarily due to the decrease in interest expenses on redemption liabilities on ordinary shares by RMB13.7 million in 2022, which mainly resulted from the termination of redemption rights in connection with our Series B Financing, Series B+ Financing and Series B++ Financing on August 30, 2021 and was partially offset by the increase in interest expenses on bank and other borrowings by RMB1.2 million in 2022 as a result of an increase in the principal amount of borrowings.

Loss and total comprehensive expenses

As a result of the foregoing, our loss and total comprehensive expenses increased from RMB148.5 million in 2021, to RMB188.9 million in 2022.

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

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been derived from the Accountants' Report set out in Appendix I to this document:

	As of December 31,	
	2021	2022
	(RMB in thousands)	
Total non-current assets	74,517	63,885
Total current assets	125,638	238,957
Total assets	200,155	302,842
Total current liabilities	56,908	146,960
Net current assets	68,730	91,997
Total non-current liabilities	83	–
Total liabilities	56,991	146,960
Net assets	143,164	155,882
Capital and reserves		
Paid-in capital	165,072	–
Share capital	–	182,000
Reserves	(21,908)	(26,118)
Total equity	143,164	155,882

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

	As of December 31,		As of April 30,
	2021	2022	2023
	(RMB in thousands)		
			(Unaudited)
Current assets			
Inventories	8,914	10,623	7,856
Prepayments, deposits and other receivables	14,139	27,814	36,698
Financial assets at FVTPL	19,500	47,000	15,000
Cash and cash equivalents	83,085	153,520	104,737
	125,638	238,957	164,291
Current liabilities			
Trade and other payables	22,677	33,555	33,526
Bank borrowings	28,000	76,500	49,000
Amount due to a related party	4,659	–	–
Lease liabilities	397	169	769
Deferred income	1,175	2,975	2,975
Advance from transfer agreement	–	33,761	33,761
	56,908	146,960	120,031
Net current assets	68,730	91,997	44,260

Our net current assets decreased from RMB92.0 million as of December 31, 2022 to RMB44.3 million as of April 30, 2023. The decrease was primarily due to a decrease in our current assets, partially offset by a decrease in our current liabilities. Our current assets decreased from RMB239.0 million as of December 31, 2022 to RMB164.3 million as of April 30, 2023, primarily due to (i) a decrease in cash and cash equivalents of RMB48.8 million to repay certain bank loans as scheduled and for our working capital; and (ii) a decrease in financial assets at FVTPL of RMB32.0 million, as a result of the redemption of wealth management products to meet the cash needs for our R&D activities. The decrease in our current assets was partially offset by the increase in prepayments, deposits and other receivables of RMB8.9 million. Our current liabilities decrease from RMB147.0 million as of December 31, 2022 to RMB120.0 million as of April 30, 2023, primarily due to a decrease in bank borrowings of RMB27.5 million as we repaid certain amount of bank loans as scheduled.

Our net current assets increased from RMB68.7 million as of December 31, 2021 to RMB92.0 million as of December 31, 2022, primarily due to an increase in our current assets, which was partially offset by an increase in our current liabilities. Our current assets increased from RMB125.6 million as of December 31, 2021 to RMB239.0 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents of RMB70.4 million, as a result of the completion of the Series C Financing in October 2022; (ii) an increase in financial assets at FVTPL of RMB27.5 million, in relation to our investment in certain structured deposits and wealth management; and (iii) an increase in prepayments, deposits and other receivables of RMB13.7 million, mainly attributable to the increase of prepayments for research and development services. Our current liabilities increased from RMB56.9 million as of December 31, 2021 to RMB147.0 million as of December 31, 2022, primarily due to (i) an increase in bank borrowings of RMB48.5 million; (ii) an increase in advance from transfer agreement of RMB33.8 million, as a result of the fixed upfront fee of US$5 million pursuant to the CMS Agreement that we entered into to transfer all rights and assets relating to Y400 to CMS Vision, which will be required to refund upon certain conditions; and (iii) an increase in trade and other payables of RMB10.9 million, mainly attributable to an increase in accrued research and development expenses. The increase in our current liabilities was partially offset by the decrease in amount due to a related party of RMB4.7 million. The amount due to a related party was trade in nature in relation to technical service fees we incurred for the CRO services provided to us by such related party and had been fully settled as of the Latest Practicable Date. For further details, please refer to Note 25 to the Accountants' Report in Appendix I to this document.

Inventories

During the Track Record Period, our inventories consisted of materials purchased for our research and development projects. Our inventories increased from RMB8.9 million as of December 31, 2021 to RMB10.6 million as of December 31, 2022, mainly due to our continuous research and development of our drug candidates and increasing demands for inventories for such activities. As of April 30, 2023, approximately RMB7.5 million, or 70.4% of our inventories as of December 31, 2022, had been subsequently consumed or sold.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,	
	2021	2022
	(RMB in thousands)	
Within six months	5,522	3,326
Over six months and within one year	2,040	5,432
One to two years	1,314	1,616
Two to three years	38	245
Over three years	–	4
	8,914	10,623

Considering that (i) over 80% of the inventories as of December 31, 2022 were aged less than one year, (ii) as of April 30, 2023, over 70% of our inventories as of December 31, 2022 had been subsequently consumed or sold, (iii) our inventories are for regular consumption in our R&D activities rather than for commercial sale, and (iv) we had not experienced any material shortage in supply or overstock of inventory during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that there is no material recoverability issue for our inventories and no provision. As a result, we did not make any provision for our inventories at the end of each reporting period. We have implemented effective inventory control system and policies and regularly monitor our inventory to reduce the risk of overstocking.

Prepayments, deposit and other receivables

Our prepayments, deposit and other receivables included: (i) prepayments for research and development services which were mainly related to upfront fees paid for research and development services for the clinical and non-clinical studies of our drug candidates; (ii) prepayments for [**REDACTED**] expenses and [**REDACTED**] costs; (iii) deferred [**REDACTED**] costs; (iv) advance to staff; and (v) others. The table below sets forth a breakdown of our prepayments, deposit and other receivables as of the dates indicated:

	As of December 31,	
	2021	**2022**
	(RMB in thousands)	
Prepayments for research and development services	12,511	19,703
Prepayments for [**REDACTED**] expense and [**REDACTED**] costs	[**REDACTED**]	[**REDACTED**]
Deferred [**REDACTED**] costs	[**REDACTED**]	[**REDACTED**]
Advance to staff	328	337
Others	279	657
Subtotal	14,139	27,814

Our prepayments, deposit and other receivables increased from RMB14.1 million as of December 31, 2021 to RMB27.8 million as of December 31, 2022, primarily due to (i) the increase of prepayments for research and development services of RMB7.2 million, which mainly included upfront fees paid for the clinical and non-clinical studies of our drug candidates; and (ii) the increased deferred [**REDACTED**] costs of RMB5.7 million, which will be deducted from equity upon [**REDACTED**], as a result of the increased expenses incurred for our preparation for the [**REDACTED**].

The following table sets forth an aging analysis of our prepayments, deposit and other receivables as of the dates indicated:

	As of December 31,	
	2021	2022
	(RMB in thousands)	
0-30 days	5,207	6,622
31-90 days	2,838	5,681
91-180 days	4,993	5,238
181-365 days	931	4,498
Over 365 days	170	5,775
	14,139	27,814

As of April 30, 2023, approximately RMB4.4 million, or 15.8% of our prepayments, deposit and other receivables as of December 31, 2022, had been subsequently utilized or settled.

Financial assets at FVTPL

During the Track Record Period, our financial assets at FVTPL included structured deposits and wealth management products, both of which were managed by financial institutions in China. The table below sets forth a breakdown of our financial assets at FVTPL as of the dates indicated:

	As of December 31,	
	2021	2022
	(RMB in thousands)	
Structured deposits	17,000	32,000
Wealth management products	2,500	15,000
Subtotal	19,500	47,000

We recorded financial assets at FVTPL of RMB19.5 million as of December 31, 2021, mainly in relation to our investment in certain structured deposits and wealth management products. Our financial assets at FVTPL increased from RMB19.5 million as of December 31, 2021 to RMB47.0 million as of December 31, 2022, mainly due to the increase of our investment in those structured deposits and wealth management products in 2022.

As part of our treasury management, we invested in certain structured deposits and wealth management products to better utilize excess cash when our cash sufficiently covered our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our treasury management activities, to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. Specifically, our treasury management policies include, but not limited to: (i) we only allow investments in structured deposits and other principal-guaranteed wealth management products, if any; (ii) the structured deposits and wealth management products we invest in should be issued by large commercial banks in the PRC; (iii) our finance department is in charge of assessment and purchase of structured deposits and wealth management products after considering the amount of our available funds and future capital needs while ensuring liquidity safety under the principle of maximizing the return on funds; (iv) before purchasing any structured deposits or wealth management products, the head of our finance department will assess the risk associated with the underlying products based on the risk classification provided by the issuing financial institutions; and (v) an application form should be submitted to and approved by the head of our finance department before any purchase of structured deposits and wealth management products. The approval from our Board of Directors is required for any significant investment in structured deposits and wealth management products. Our head of finance department, Mr. Yuan Rong, has 20 years of working experience in corporate finance management including treasury management. Under our treasury management policies, we adopted a prudent approach in selecting treasury management products and government-guaranteed structured deposits from reputable financial institutions in China.

Moreover, in addition to treasury management policies, we have in place a set of policies and procedures to manage our financial risks, such as capital management policies, R&D expenditure management policies, budget management policies and financial management policies. Our finance department is responsible for the implementation of such policies and procedures, and regularly monitors our financial system to ensure its accurate and stable operation and minimize our risk exposure.

Our structured deposits were denominated in RMB and managed by a financial institution in China. The principal is guaranteed by the relevant financial institutions with expected yield of 1.48% and 1.30% per annum as at December 31, 2021 and 2022, respectively, and the actual yield to be received is uncertain until settlement. Our structured deposits had a maturity date within a year and were classified as financial assets measured at FVTPL. Our purchased wealth management product was denominated in RMB and managed by a financial institution in China with expected rate of return ranging from 2.55% to 3.10% and 2.80% to 4.10% per annum as of December 31, 2021 and 2022, respectively. Our wealth management products had a maturity date within a year and were classified as financial assets measured at FVTPL. To control our risk exposure, we have in the past sought, and may continue in the future to seek, principal-guaranteed structured deposits and other products that provide better investment returns than term deposits at commercial banks.

After the [**REDACTED**], we intend to continue to invest in financial assets at FVTPL strictly in accordance with our internal policies and the requirements under Chapter 14 of the Listing Rules.

Cash and cash equivalents

During the Track Record Period, our cash and cash equivalents included cash at bank and short-term bank deposits with maturity less than three months. The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated:

	As of December 31,	
	2021	**2022**
	(RMB in thousands)	
Cash at bank	34,830	153,520
Short-term bank deposits with maturity less than three months	48,255	–
	83,085	153,520

Our cash and cash equivalents increased from RMB83.1 million as of December 31, 2021 to RMB153.5 million as of December 31, 2022, primarily due to an increase of cash at bank of RMB118.7 million as a result of the completion of the Series C Financing in October 2022, which was partially offset by a decrease of short-term bank deposits with maturity of less than three months of RMB48.3 million as a result of our redemption of short-term bank deposits with maturity less than three months.

Trade and other payables

During the Track Record Period, our trade and other payables primarily consisted of (i) trade payables for research and development expenses; (ii) accrued research and development expenses; (iii) other payables to government; (iv) accrued staff costs and benefits; (v) accrued [**REDACTED**] expenses; and (vi) accrued [**REDACTED**] costs.

The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As of December 31,	
	2021	2022
	(RMB in thousands)	
Trade payables for research and development expenses	5,380	3,214
Accrued research and development expenses	7,761	15,503
Other payables to government[(1)]	3,600	3,600
Accrued staff costs and benefits	2,885	3,456
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Accrued [**REDACTED**] costs	[**REDACTED**]	[**REDACTED**]
Government grants received on behalf of staff	275	877
Other tax payables	362	454
Payables for acquisition of property and equipment	117	47
Others	193	77
	22,677	33,555

Note:

(1) Other payables to government relate to a government subsidy we received for construction of R&D facilities, with a condition that the construction should be completed and approved by the relevant PRC government authority before December 31, 2016. As of December 31, 2021 and 2022, we had not fulfilled such condition. This subsidy is repayable to the relevant PRC government authority on demand. As of the Latest Practicable Date, we had not received any notice from any government authority to repay the government subsidy.

Our trade and other payables increased from RMB22.7 million as of December 31, 2021 to RMB33.6 million as of December 31, 2022, mainly due to an increase in accrued research and development expenses of RMB7.7 million, primarily as a result of our continuous research and development efforts.

The following table sets forth an aging analysis of our trade payables for research and development expenses based on the invoice dates as of the dates indicated:

	As of December 31,	
	2021	2022
	(RMB in thousands)	
0-30 days	2,524	1,795
31-90 days	1,746	628
91-180 days	482	61
181-365 days	169	207
Over 365 days	459	523
	5,380	3,214

As of April 30, 2023, approximately RMB20.3 million, or 60.5% of our trade and other payables as of December 31, 2022, had been subsequently settled.

Advance from transfer agreement

We recorded advance from transfer agreement of RMB33.8 million as of December 31, 2022, mainly in relation to the fixed upfront payment of US$5 million by CMS Vision pursuant to the CMS Agreement.

On July 26, 2022, we entered into the CMS Agreement with CMS Vision to transfer all the rights and assets relating to Y400 to CMS Vision. We believe we can benefit from the collaboration with CMS Vision. We strategically focus on the development of BsAb-based therapies, while CMS Vision has expertise in the ophthalmology field and focuses on identification, development and commercialization of urgent needed ophthalmic diagnosis and treatment. Moreover, as a wholly-owned subsidiary of a Hong Kong listed company, China Medical System Holdings Limited (0867.HK), CMS Vision has greater financial, technical and human resources, more established commercialization infrastructure as well as more experience in late-stage clinical development of drug candidates than we do. As a result, we believe that our collaboration with CMS Vision can augment the R&D process and accelerate the commercialization of Y400. For more details, please refer to the paragraphs headed "Business – Collaboration Agreements – Collaboration with CMS Vision" in this document.

Redemption liabilities on ordinary shares

During the Track Record Period, we recognized the Series B, Series B+ and Series B++ preferred shares with redemption rights issued to investors as financial liabilities at amortized cost. We used the effective interest method to determine the amortized cost of ordinary shares with redemption liabilities which takes into account of the repurchase price on the earliest redemption date of each series and maturity dates. For details, please refer to Note 29 to the Accountants' Report set out in Appendix I to this document.

We no longer recorded any redemption liabilities on ordinary shares since August 30, 2021 and we recorded nil and nil redemption liabilities on ordinary shares as of December 31, 2021 and 2022, as a result of termination of our obligation to repurchase the Series B, Series B+ and Series B++ preferred shares from investors.

Property and equipment

Our property and equipment recorded under non-current assets consisted of buildings, equipment, furniture and fixture, motor vehicles, leasehold improvement, and construction in progress.

Our property and equipment decreased from RMB51.0 million as of December 31, 2021 to RMB46.0 million as of December 31, 2022. The decrease was primarily due to the decrease of the carrying amount of equipment as a result of depreciation of RMB6.3 million.

Right-of-use assets

Our right-of-use assets recorded under non-current assets primarily arose from our leasehold lands and leased properties. The table below sets forth our right-of-use assets as of the dates indicated:

	As of December 31,	
	2021	**2022**
	(RMB in thousands)	
Leasehold lands	8,498	8,287
Leased properties	484	220
	8,982	8,507

Our right-of-use assets decreased from RMB9.0 million as of December 31, 2021 to RMB8.5 million as of December 31, 2022, mainly due to routine amortization per year.

Value added tax recoverable

Value added tax recoverable recorded under non-current assets represents our value-added tax (VAT) input tax credit that cannot be refunded by the competent authority within one year and would be utilized to deduct our VAT output tax in the future. Such VAT input tax credit is resulted from the difference between our VAT input tax (arising from our purchase of property, equipment, as well as raw materials and other consumables) and our VAT output tax (arising from sales of equipment and materials). Such amounts can be refunded by the competent authority and be utilized to deduct our VAT output tax in the future.

Our value added tax recoverable significantly decreased from RMB13.8 million as of December 31, 2021 to RMB8.7 million as of December 31, 2022. The decrease of RMB5.2 million was primarily due to our application for a tax refund of our value added tax recoverable.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity consist of cash and cash equivalents, which we have historically generated primarily through capital contributions from our shareholders, private equity financing and bank loans. We expect that our cash needs in the near future will primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding our drug candidate portfolio. Our management closely monitors uses of cash and cash balances and strives to maintain a healthy liquidity for our operations. We expect our liquidity requirements will be satisfied by a combination of [**REDACTED**] from the [**REDACTED**], cash generated from our operations after the commercialization of our drug candidates and funds received from potential out-licensing arrangements. With the continuing expansion of our business, we may require further funding through public or private offerings, debt financings, collaboration arrangements or other sources.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year Ended December 31,	
	2021	**2022**
	(RMB in thousands)	
Operating cash flow before movements in working capital	(87,161)	(178,821)
Movements in working capital	(11,549)	2,118
Income tax paid	–	–
Net cash used in operating activities	(98,710)	(176,703)
Net cash (used in) from investing activities	(19,933)	5,804
Net cash from financing activities	81,034	241,334
Net (decrease) increase in cash and cash equivalents	(37,609)	70,435
Cash and cash equivalents at beginning of the year	120,694	83,085
Cash and cash equivalents at the end of the year	83,085	153,520

Operating Activities

During the Track Record Period, we incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from our research and development expenses and administrative expenses. Our management closely monitors the use of cash and cash balances and has maintained a healthy liquidity for our operations. As our business develops and expands, we expect to generate more cash flows from our operating activities, through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency.

In 2022, our net cash used in operating activities was RMB176.7 million, which was primarily attributable to our loss before tax of RMB188.9 million, adjusted for non-cash and non-operating items. Positive adjustments primarily included: (i) an increase in trade and other payables of RMB9.5 million; (ii) depreciation of property and equipment of RMB6.3 million; and (iii) a decrease in value added tax recoverable of RMB5.2 million. Negative adjustments mainly included: (i) an increase in prepayments, deposits and other receivables of RMB7.9 million; and (ii) a decrease in amount due to a related party of RMB4.7 million.

In 2021, our net cash used in operating activities was RMB98.7 million, which was primarily attributable to our loss before tax of RMB148.5 million, adjusted for non-cash and non-operating items. Positive adjustments primarily included: (i) share-based payment expenses of RMB39.6 million; (ii) finance costs of RMB15.0 million; (iii) depreciation of property and equipment of RMB7.0 million; and (iv) an increase in amount due to a related party of RMB3.2 million. Negative adjustments mainly included: (i) an increase in prepayments, deposits and other receivables of RMB8.8 million; and (ii) an increase in value added tax recoverable of RMB6.1 million.

We plan to improve our net operating cash flow position in view of potential net operating cash inflows which we expect to generate after successful commercialization of our product candidates. As our business develops, we expect to improve our negative cash flow position from our operations by generating more net cash from our operating activities, launch our drug candidates and improving our cost control and operating efficiencies.

- We plan to accelerate the clinical development and commercialization of our Core Product, M701, which is currently under phase II clinical trial in China. We expect to complete the Phase II clinical trial of M701 monotherapy in combination with systematic treatment for the treatment of MA in the fourth quarter of 2023. After the completion of this Phase II trial, we plan to commence a pivotal/Phase III trial for M701 in treating MA in China in the first quarter of 2024 and file BLA submission in the first quarter of 2025. To date, there have been no established, evidence-based, universally accepted guidelines in treating MA and MPE globally. M701 is an innovative candidate as an effective targeted therapy for MA and MPE to address this pressing medical need. For more details, please refer to the paragraphs headed "Business – Our Drug Candidates – M701 (EpCAM × CD3 BsAb) – Our Core Product – Market Opportunities and Competition" in this document. We expect that

M701 will be positioned to capture the market opportunities after commercialization and we will be able to improve our net operating cash flow position through the commercialization of M701 in China. In addition, we initiated a Phase Ib/II clinical trial of M701 for the treatment of MPE in China in November 2022. We expect to complete this Phase Ib/II trial and commence a pivotal/Phase III trial for M701 for the treatment of MPE in China in the third quarter of 2024, and file BLA submission in the fourth quarter of 2025, which will also contribute to our cash inflow after the commercialization for MPE treatment.

- We will also advance the research and development, clinical trials and commercialization of other product candidates in our pipeline. For example, we are currently conducting a Phase I clinical trial of Y150 in rrMM in China and expect to complete this trial in the second quarter of 2024. We are also conducting the Phase I clinical trial for Y101D in patients with metastatic or locally advanced solid tumors in China and expect to complete this trial in the fourth quarter of 2023. After these clinical-stage product candidates are approved, we expect we will generate more cash from operating activities through the commercialization of these product candidates.

- We plan to adopt comprehensive measures to more effectively control our cost and operating expenses leveraging our economies of scale. Our object is to optimize liquidity to gain a better return for our Shareholders and maintain adequate risk control. After our drug candidates' commercialization, we plan to closely monitor and manage the settlement of our trade receivables to avoid credit losses. We will also closely monitor the settlement of our trade payables to achieve better cash flow position.

Investing Activities

In 2022, our net cash from investing activities was RMB5.8 million, which was mainly due to our redemption of financial assets at FVTPL of RMB351.0 million and an advance we received from transfer agreement of RMB33.8 million, which was partially offset by our purchase of financial assets at FVTPL of RMB378.5 million.

In 2021, our net cash used in investing activities was RMB19.9 million, which was mainly due to our purchase of financial assets at FVTPL of RMB481.6 million, which was partially offset by our redemption of financial assets at FVTPL of RMB462.1 million.

Financing Activities

In 2022, our net cash from financing activities was RMB241.3 million, which was mainly due to the proceeds we received from the issue of shares of RMB200.0 million and the new bank borrowing of RMB76.5 million, which was partially offset by repayment of bank borrowings of RMB28.0 million.

In 2021, our net cash from financing activities was RMB81.0 million, which was mainly due to the various proceeds we received from our equity financings of RMB149.9 million and the new bank borrowing of RMB28.0 million, which was partially offset by repayment of borrowings from shareholders of RMB71.1 million and repayment of bank borrowings of RMB21.0 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the years indicated:

	Year Ended December 31,	
	2021	**2022**
	(RMB in thousands)	
Costs Relating to Research and Development of Our Core Product		
Clinical trial costs	5,253	23,093
Raw material and utility expenses	1,092	3,773
Staff costs	1,681	3,084
Others[(1)]	398	442
Subtotal	8,424	30,392
Costs Relating to Research and Development of Other Drug Candidates		
Clinical trial costs	17,041	35,698
Pre-clinical study costs	21,358	49,794
Raw material and utility expenses	16,504	17,708
Staff costs	15,877	20,327
Others	1,367	1,247
Subtotal	72,147	124,774

	Year Ended December 31,	
	2021	2022
	(RMB in thousands)	
Workforce employment cost[(2)]	4,765	5,002
Direct production cost[(3)]	–	–
Non-income taxes, royalties and other governmental charges	–	–
Contingency allowances	–	–
Product marketing[(4)]	–	–
Total	**85,336**	**160,168**

(1) This includes the cash operating costs related to the pre-clinical studies of M701's treatment of MPE and solid tumor.

(2) Workforce employment cost represents total non-research and development personnel costs mainly including salaries and benefits.

(3) We had not commenced commercial manufacturing as of the Latest Practicable Date.

(4) We had not commenced product sales as of the Latest Practicable Date.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available, including cash and bank balances of RMB104.7 million as of April 30, 2023 on hand and the estimated [**REDACTED**] from the [**REDACTED**], as well as our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, general and administrative expenses and other operating expenses for at least the next 12 months from the date of this document. After making reasonable enquiries with the Company about the Company's working capital requirements, nothing has come to the Sole Sponsor's attention which would cause them to disagree with the Directors' view above.

Our cash burn rate refers to the average monthly aggregate amount of (i) net cash used in operating activities, including clinical development and business development activities; (ii) purchase of property and equipment; (iii) interest paid; (iv) interest paid on lease liabilities; and (iv) payments of lease liabilities. We had cash and cash equivalents of RMB104.7 million as of April 30, 2023. Assuming an average cash burn rate going forward of 1.0 times of the level in 2022, we estimate that our cash and cash equivalents and financial assets at fair value through profit or loss as of April 30, 2023 will be able to maintain our financial viability for 16 months taking into account the estimated [**REDACTED**] from the [**REDACTED**] (based on the low-end of the indicative [**REDACTED**] range stated in this document). Our Directors and management team will continue to monitor our working capital, cash flows, and our business development progress. We will continue to monitor our cash flows from operations closely and

expect to raise our next round of financing, if needed, with a minimum buffer of 12 months. In the event our business operations experience any material and adverse impact, we will proactively manage our cash flows and control our costs and expenses; on the other hand, in the event we identify any additional promising research and development projects, or identify any suitable target for investment or acquisition, we may adjust our financing plans to take advantage of such opportunities. We may also diversify our source of funding to further support the development of our product candidates going forward.

Our Directors confirmed that there had been no material defaults in payment of trade and other payables during the Track Record Period and up to the date of the Latest Practicable Date.

INDEBTEDNESS

As of December 31, 2021 and 2022, and April 30, 2023, except as disclosed in the tables below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees, litigations or claims of material importance, pending or threatened against any member of our Group or other material contingent liabilities. During the Track Record Period, we had indebtedness in the form of interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of April 30,
	2021	2022	2023
		(RMB in thousands)	
			(unaudited)
Current			
Bank borrowings	28,000	76,500	49,000
Lease liabilities	397	169	331
Non-current			
Lease liabilities	83	–	438
Total	28,480	76,669	49,769

Bank borrowings

During the Track Record Period, our bank borrowings consisted of secured bank loans and unsecured bank loans. As of the Latest Practicable Date, none of our bank loans were backed or guaranteed by any of our substantial Shareholders. The following table sets forth a breakdown of our bank borrowings as of the dates indicated:

	As of December 31,		As of April 30,
	2021	2022	2023
		(RMB in thousands)	
			(unaudited)
Secured bank loans	23,000	45,000	45,000
Unsecured bank loans	5,000	31,500	4,000
	28,000	76,500	49,000

The carrying amounts of the above borrowings are repayable within one year. We have fully repaid the outstanding amount of the bank borrowings as of December 31, 2021. The outstanding amount of the bank borrowings as of December 31, 2022 and as of April 30, 2023 was related to (i) bank borrowings of RMB45.0 million that carried a fixed-rate interest rate (also being the effective interest rate) of 4.35% per annum, of which RMB18.0 million has been repaid in May 2023 and the rest will be repayable in full in June and July 2023, and were secured by our property and equipment, right-of-use assets and investment properties with carrying amount of RMB6.6 million, RMB8.3 million, and RMB0.5 million, respectively, as of December 31, 2022; and (ii) bank borrowings of RMB4.0 million that carried a fixed-rate interest rate (also being the effective interest rate) of 5.10% per annum, which will be repayable in full in June 2023.

Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we had not experienced any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we had unutilized banking facilities of RMB280 million.

Lease liabilities

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

	As of December 31,		As of April 30,
	2021	2022	2023
	(RMB in thousands)		
			(unaudited)
Lease liabilities			
Current	397	169	331
Non-current	83	–	438
Total	480	169	769

At the commencement date of a lease, we recognize and measure lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The weighted average incremental borrowing rates applied to lease liabilities is 5.72% to 5.90% per annum for the Track Record Period.

CAPITAL EXPENDITURES

We regularly incur capital expenditures to purchase and maintain our property and equipment in order to enhance our research and development capabilities and expand our business operations. Historically, we funded our capital expenditures mainly through equity financing. The following table sets forth our capital expenditures for the years indicated:

	Year Ended December 31,	
	2021	2022
	(RMB in thousands)	
Purchases of property and equipment	1,757	1,363

Our historical capital expenditures during the Track Record Period primarily included expenditures associated with the purchase of property and equipment, which mainly consists of furniture and equipment and leasehold improvements. Going forward, we expect that our capital expenditure will continue to consist primarily of funds to ramp up the research and development of our product candidates, and purchases of machinery and equipment for our offices and research and development facilities. For more details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2021 and 2022, we did not have any significant capital commitments.

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

RELATED-PARTY TRANSACTIONS

For the years ended December 31, 2021 and 2022, our related party transactions mainly comprised of: (i) interest expenses arising from borrowings from related parties; (ii) purchase of research and development service from a related party; (iii) outstanding balances with related parties; and (iv) compensation of key personnel. For further details, please refer to Notes 25 and 32 to the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with the related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth, as of the dates indicated, certain of our key financial ratios:

	As of December 31,	
	2021	2022
Current ratio[(1)]	2.2	1.6

(1) Current ratio is calculated by current assets divided by current liabilities as of the same date.

Current Ratio

Our current ratio decreased from 2.2 as of December 31, 2021 to 1.6 as of December 31, 2022, primarily due to an increase in our current liabilities, which outpaced an increase in our current assets, mainly as a result of: (i) an increase in bank borrowings by RMB48.5 million for the year ended December 31, 2022; (ii) an increase in advance from transfer agreement by RMB33.8 million for the year ended December 31, 2022; and (iii) an increase in trade and other payables by RMB10.9 million for the year ended December 31, 2022.

MARKET RISK DISCLOSURE

The risks associated with our financial assets and liabilities primarily include market risks (currency risk and interest rate risk), credit risk and liquidity risk. Our Directors manage these exposures to ensure appropriate measure are implemented on a timely and effective manner. Please refer to Note 36 to the Accountants' Report in Appendix I to this document for further details.

Currency Risk

Certain of our financial liabilities are denominated in foreign currency of respective group entities which expose us to foreign currency risk. We did not have a foreign currency hedging policy against our exposure to currency risk during the Track Record Period and up to the Latest Practicable Date. However, our Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For details, including relevant sensitivity analysis, please refer to Note 36(b)(i) to the Accountants' Report set out in Appendix I to this document.

Interest Rate Risk

We are primarily exposed to fair value interest rate risk in relation to bank borrowings, amounts due to shareholders, lease liabilities and cash flow interest rate risk in relation to bank balances. We did not have an interest rate hedging policy to mitigate interest rate risk during the Track Record Period and up to the Latest Practicable Date. However, our Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Credit Risk

Our maximum exposure to credit risk, which will cause a financial loss to the Group, arises from the amount of each class of financial assets (including deposits and other receivables, amount due from a subsidiary, and bank balances) as disclosed in the consolidated statements of financial position. During the Track Record Period and up to the Latest Practicable Date, we did not hold any collateral or other credit enhancements to cover credit risks associated with our financial assets.

Deposits and other Receivables

For deposits and other receivables, we have applied the 12-month expected credit loss (ECL) approach in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period. Our Directors consider the ECL provisions of other receivables as insignificant.

Amount due from a subsidiary

For amount due from a subsidiary, we have applied 12-month ECL to measure the loss allowance. In assessing the probability of defaults of amount due from a subsidiary, our Directors have taken into account the financial position of the counterparty as well as forward looking information that is available without undue cost or effort. Our Directors consider the ECL provision of amount due from a subsidiary as insignificant.

Bank Balances

Our credit risk on bank balances is limited because the counterparties are reputable financial institutions. Our Directors are of the view that the average loss rate is insignificant and no impairment was provided at the end of each reporting period.

Liquidity Risk

With respect to the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effect of fluctuations in cash flows. We monitor the utilization of bank borrowings and rely on the issuance of Investors' Shares and ordinary shares as a significant source of liquidity. Our Directors are satisfied that we will have sufficient financial resources to meet our financial obligations as they fall due and to sustain our operations for the foreseeable future. For details, please refer to Note 36(b) to the Accountants' Report set out in Appendix I to this document.

DIVIDEND

We did not declare or pay any dividend during the Track Record Period. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Investors should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. Regulations in the PRC currently

permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As a result, we may not have sufficient or any distributable profits to make dividend contributions to our Shareholders, even if we become profitable.

DISTRIBUTABLE RESERVES

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

[**REDACTED**] EXPENSE

[**REDACTED**] expenses to be borne by us are estimated to be approximately RMB[**REDACTED**] (including [**REDACTED**], based on the mid-point of our indicative [**REDACTED**] for the [**REDACTED**]), assuming no Shares are [**REDACTED**] pursuant to the [**REDACTED**] Option. During the Track Record Period, we incurred [**REDACTED**] expenses of approximately RMB[**REDACTED**], among which RMB[**REDACTED**] was recognized in our consolidated statements of profit or loss and other comprehensive income, and approximately RMB[**REDACTED**] ([**REDACTED**] expenses directly attributable to the [**REDACTED**] of Shares) will be deducted from equity upon [**REDACTED**]. After December 31, 2022, approximately RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

The [**REDACTED**] expenses are expected to represent approximately [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and that the [**REDACTED**] is not exercised. The [**REDACTED**] expenses are comprised of: (i) [**REDACTED**] expenses of RMB[**REDACTED**]; and (ii) [**REDACTED**] expenses of RMB[**REDACTED**], which can be further broken down into: (A) fees and expenses of legal advisors and accountants of RMB[**REDACTED**]; and (B) other fees and expenses of RMB[**REDACTED**].

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022 and up to the date of this document and there is no event since December 31, 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

IMPACT OF THE COVID-19 OUTBREAK

Since late 2019, COVID-19 has spread rapidly globally. Since the beginning of 2022, there have been a number of regional resurgences of COVID-19 cases in several parts of China due to the spread of the Omicron variant. We have employed various measures to mitigate any impact the COVID-19 pandemic may have on our operations, including offering personal protection equipment such as masks to our employees, regularly checking the body temperature of our employees and closely monitoring their health conditions.

The COVID-19 outbreak and resurgences in China and the quarantine measures taken by the PRC government had only limited impact on us. From early 2020 to December 2022, we experienced increased difficulties in patient enrollment for the Phase I and Phase II clinical trials of M701 for the treatment of MA. Specifically, for the Phase II clinical trial of M701 for the treatment of MA, we originally planned to have the first patient in October 2021 and expected to enroll eight to ten patients per month. However, due to the lockdown measures implemented by local governments where our research institutions are located, we did not have our first patient in until December 2021 and the number of patients enrolled in the Phase II clinical trial of M701 for the treatment of MA was approximately six per month from December 2021 to April 2022, lower than what we originally expected. The above disruptions in combined, lead to certain delays in advancing the clinical development of M701 and relatively lower R&D expenses for M701 during the Track Record Period. We also experienced temporary delays in subject enrollment for our clinical trials in certain regions, such as Beijing, Shanghai and Henan province, for one to three months in 2022. Nevertheless, we resumed the normal patient enrollment for these clinical trials later, and the resurgences and quarantine measures did not cause any material impact on our clinical trials, including any early termination of our clinical trials or necessitated removal of any patients enrolled in our clinical trials. We employed various measures to mitigate any impact the COVID-19 outbreak and resurgences may have on our ongoing clinical trials in China, including providing alternative methods for safety and efficacy assessment, continuing patient visit through remote access, and engaging necessary communications with our investigators to identify and address any issues that may arise. The expected development progress of our drug candidates has taken into account the temporary delays and disruptions on our ongoing clinical trials caused by the COVID-19 resurgences. With regard to the impact of the resurgence of COVID-19 outbreak since December 2022, most of our employees were infected with COVID-19, and then recovered within a short period of time. Our operations for clinical trials experienced disruptions, however, such delays were temporary and we resumed the normal patient enrollment since January 2023. For example, the number of patients we enrolled for all of our ongoing clinical trials increased from eight in January 2023 to eleven in February 2023, and further to 16 patients in March 2023, among which we enrolled three, seven and ten patients for clinical trials of M701 in January, February and March 2023, respectively. In addition, as such resurgence was less severe because of lower mortality rate and higher curability rate than that of the initial COVID-19 outbreak in early 2020, and taking into account that the COVID-19 related governmental measures have been gradually lifted in China (such as the government's releasing measures to lift up quarantine measures and travel restrictions to accelerate the economic recovery and resume normal operations of the society), our Directors were not aware of any material adverse impact of such resurgence on our operations and financial performance.

Although the COVID-19 related restrictive measures adopted by the Chinese government were lifted in various regions in China since December 2022, it is still uncertain whether the continuance or future recurrence of the COVID-19 outbreak in China will have a material adverse effect on our business, results of operations, financial position or prospects. The recent COVID-19 outbreaks in China, and future resurgences, if any, may adversely affect our operations if any of our employees or employees of our suppliers and other business partners are suspected of contracting or contracted COVID-19, as we, our suppliers or our business partners may arrange such employees to work remotely at home or disinfect the operating facilities. The ongoing clinical trials and the commencement of new clinical trials for our drug candidates could also be delayed if, due to the COVID-19 outbreak and resurgences in China, there is any delay or failure in subject recruitment or enrollment and/or any diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials from the conduct of clinical trials.

In view of the above situation, our Directors confirm that the COVID-19 outbreak did not have a material adverse impact on our business operations and financial performance as of the Latest Practicable Date, as (i) there had been no material disruption of our ongoing clinical trials or research and development efforts; and (ii) we had not encountered any material supply chain disruption and had not experienced any material difficulties in procuring major raw materials.

The extent to which the COVID-19 outbreak impacts our business, results of operations and financial condition will depend on many factors beyond our control, including the extent of resurgences of the disease and its variants, vaccine distribution and other actions in response to the virus or to contain its impact. We cannot foresee whether COVID-19 will have a material and adverse impact on our business going forward. For more details, please refer to the paragraphs headed "Risk Factors – Risks Relating to Our Operations – We face risks related to health epidemics and other outbreaks of contagious diseases, including the COVID-19 outbreak" in this document. We will closely monitor and evaluate any impact of the COVID-19 outbreak and resurgences on us and adjust our precautionary measures according to its developments.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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