The following is the text of a report set out on pages I-1 to I-59, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WUHAN YZY BIOPHARMA CO., LTD., AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED.

Introduction

We report on the historical financial information of Wuhan YZY Biopharma Co., Ltd.* (武漢友芝友生物製藥股份有限公司) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-4 to I-59, which comprises the consolidated statements of financial position of the Group as at December 31, 2021 and 2022, the statements of financial position of the Company as at December 31, 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-59 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●], 2023 (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* English name is for identification purpose only.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of the preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2021 and 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date, 2023]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31, 2021	2022
		RMB'000	RMB'000
Other income	7	12,798	2,560
Other gains and losses	8	716	671
Research and development expenses		(112,893)	(157,329)
Administrative expenses		(31,497)	(20,525)
[**REDACTED**] expenses		[**REDACTED**]	[**REDACTED**]
Finance costs	9	(14,972)	(2,468)
Loss before tax	10	(148,518)	(188,866)
Income tax expense	11	–	–
Loss and total comprehensive expenses for the year		(148,518)	(188,866)
Loss per share			
– Basic (RMB)	13	(0.98)	(1.10)
– Diluted (RMB)	13	(0.98)	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At December 31,	
	NOTES	**2021**	**2022**
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment	*15*	50,981	46,042
Right-of-use assets	*16*	8,982	8,507
Investment properties	*17*	581	536
Value added tax recoverable		13,822	8,671
Prepayment for acquisition of property and equipment		151	129
		74,517	63,885
Current assets			
Inventories	*19*	8,914	10,623
Prepayments, deposits and other receivables	*20*	14,139	27,814
Financial assets at fair value through profit or loss ("FVTPL")	*21*	19,500	47,000
Cash and cash equivalents	*22*	83,085	153,520
		125,638	238,957
Current liabilities			
Trade and other payables	*23*	22,677	33,555
Bank borrowings	*24*	28,000	76,500
Amount due to a related party	*25*	4,659	–
Lease liabilities	*26*	397	169
Deferred income	*27*	1,175	2,975
Advance from transfer agreement	*28*	–	33,761
		56,908	146,960
Net current assets		68,730	91,997
Total assets less current liabilities		143,247	155,882
Non-current liabilities			
Lease liabilities	*26*	83	–
		83	–
Net assets		143,164	155,882
Capital and reserves			
Paid-in capital	*30*	165,072	–
Share capital	*30*	–	182,000
Reserves	*31*	(21,908)	(26,118)
Total equity		143,164	155,882

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At December 31,	
	NOTES	**2021**	**2022**
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment	*15*	50,981	46,042
Right-of-use assets	*16*	8,982	8,507
Investment properties	*17*	581	536
Investments in subsidiaries	*18*	21,000	21,000
Value added tax recoverable		13,822	8,230
Prepayment for acquisition of property and equipment		151	129
		95,517	84,444
Current assets			
Inventories	*19*	8,914	10,623
Prepayments, deposits and other receivables	*20*	14,139	25,808
Amount due from a subsidiary	*25*	–	17,418
Financial assets at fair value through profit or loss ("FVTPL")	*21*	17,000	32,000
Cash and cash equivalents	*22*	82,262	152,982
		122,315	238,831
Current liabilities			
Trade and other payables	*23*	22,677	30,906
Bank borrowings	*24*	28,000	76,500
Amount due to a subsidiary	*25*	18,016	5,519
Amount due to a related party	*25*	4,659	–
Lease liabilities	*26*	397	169
Deferred income	*27*	1,175	2,975
Advance from transfer agreement	*28*	–	33,761
		74,924	149,830
Net current assets		47,391	89,001
Total assets less current liabilities		142,908	173,445
Non-current liabilities			
Lease liabilities	*26*	83	–
		83	–
Net assets		142,825	173,445
Capital and reserves			
Paid-in capital	*30*	165,072	–
Share capital	*30*	–	182,000
Reserves	*31*	(22,247)	(8,555)
Total equity		142,825	173,445

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Share capital	Capital reserve	Share premium	Other reserves	Share-based payment reserve	Accumulated losses	Total
	RMB'000 *(note 30)*	*RMB'000* *(note 30)*	*RMB'000*	*RMB'000*	*RMB'000* *(note)*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	156,392	–	293,198	–	(105,047)	48,632	(423,918)	(30,743)
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	(148,518)	(148,518)
Contribution from Series A Investors	–	–	4,700	–	–	–	–	4,700
Debt waived by Series A Investors *(note 33)*	–	–	14,100	–	–	–	–	14,100
Issue of Series B shares-second and third tranche *(note 30)*	943	–	50,767	–	–	–	–	51,710
Issue of Series B+ shares *(note 30)*	1,886	–	18,114	–	–	–	–	20,000
Issue of Series B++ shares *(note 30)*	5,851	–	67,649	–	–	–	–	73,500
Recognition of liabilities on Series B, Series B+ and Series B++ shares *(note 29)*	–	–	–	–	(134,042)	–	–	(134,042)
Termination of redemption liabilities on Series B, Series B+, and Series B++ shares *(note 29)*	–	–	–	–	252,811	–	–	252,811
Recognition of equity-settled share-based payment *(note 32)*	–	–	–	–	–	39,646	–	39,646
At December 31, 2021	165,072	–	448,528	–	13,722	88,278	(572,436)	143,164
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	(188,866)	(188,866)
Conversion into a joint stock company *(note 30)*	(165,072)	168,000	(448,528)	7,384	(13,722)	(88,278)	540,216	–
Issue of shares *(note 30)*	–	14,000	–	186,000	–	–	–	200,000
Recognition of equity-settled share-based payment *(note 32)*	–	–	–	–	–	1,584	–	1,584
At December 31, 2022	–	182,000	–	193,384	–	1,584	(221,086)	155,882

Note: Other reserve mainly comprises recognition and termination of redemption liabilities on ordinary shares as disclosed in note 29.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	(148,518)	(188,866)
Adjustments for:		
Gain from changes in fair value of financial assets at FVTPL	(1,261)	(671)
Bank interest income	(162)	(283)
Loss on disposal of property and equipment	545	3
Depreciation of property and equipment	6,983	6,299
Depreciation of right-of-use assets	589	600
Depreciation of investment properties	45	45
Share-based payment expenses	39,646	1,584
Finance costs	14,972	2,468
Operating cash flow before movements in working capital	(87,161)	(178,821)
Increase in prepayments, deposits, and other receivables	(8,817)	(7,930)
(Increase) decrease in value added tax recoverable	(6,075)	5,151
Increase in inventories	(515)	(1,709)
Increase in deferred income	251	1,800
Increase in trade and other payables	449	9,465
Increase (decrease) in amount due to a related party	3,158	(4,659)
Cash used in operations	(98,710)	(176,703)
Income tax paid	–	–
NET CASH USED IN OPERATING ACTIVITIES	(98,710)	(176,703)

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Interest received from banks	162	283
Proceeds from disposal of property and equipment	47	–
Advance from transfer agreement	–	33,761
Gains on financial assets at FVTPL	1,261	671
Purchase of property and equipment	(1,903)	(1,411)
Purchase of financial assets at FVTPL	(481,600)	(378,500)
Redemption of financial assets at FVTPL	462,100	351,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(19,933)	5,804
FINANCING ACTIVITIES		
Contribution from Series A Investors	4,700	–
Proceeds from issue of Series B shares-first tranche	–	–
Proceeds from issue of Series B shares-second tranche	51,710	–
Proceeds from issue of Series B+ shares	20,000	–
Proceeds from issue of Series B++ shares	73,500	–
Proceeds from issue of shares	–	200,000
New bank borrowing raised	28,000	76,500
Repayment of bank borrowings	(21,000)	(28,000)
Repayment of borrowings from shareholders	(71,070)	–
Payments of lease liabilities	(411)	(436)
[**REDACTED**] paid	[**REDACTED**]	[**REDACTED**]
Interest paid	(3,956)	(2,448)
Interest paid on lease liabilities	(42)	(20)
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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the People's Republic of China (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, with its name changed to from Wuhan YZY Biopharma Limited Company (武漢友芝友生物製藥有限公司) to Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司). The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the document dated [●] 2023 (the "Document").

The principal activities of the Company and its subsidiaries ("the Group") are mainly committed to develop bispecific antibody (BsAb)-based therapies to treat cancer or cancer-associated complications and age-related ophthalmologic diseases. Particulars and principal activities of the subsidiaries are disclosed in note 38.

The functional currency of the Company and its subsidiaries is RMB, which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRSs issued by the IASB.

The statutory financial statements of the Company for the years ended December 31, 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Wuhan Dongchen Certified Public Accountants LLP* (武漢東晨會計師事務所(特殊普通合夥)), a certified public accountant registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on January 1, 2022, throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1	Non-current Liabilities with Covenants[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[4]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules[2]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after 1 January 2023 (except for paragraphs 4A and 88A of IAS 12 which are immediately effective upon issue of the amendments).

3 Effective for annual periods beginning on or after a date to be determined.

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

* English name is for identification purpose only.

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's financial position and performance when they become effective.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that 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, the Group takes 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.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the statements of financial position of the Company at cost less any identified impairment losses.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received;

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments are fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements 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 or 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".

Employee benefits

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, and annual leave) after deducting any amount already paid.

Share-based payment

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 the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its 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, the Group recognizes, 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 the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes 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, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

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 management, including costs of testing whether the related assets 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 the Group makes payments for ownership interests of properties which includes both 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 statements 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Intangible assets

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognized as an expense 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.

Impairment on property and equipment, investment properties and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, investment properties and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, investment properties and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets the Group hold are subsequently measured at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including deposits and other receivables and cash and cash equivalents) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting dates to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL for its financial instruments, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of deposits and other receivables, where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 the Company are recognized at the proceeds received, net of direct [**REDACTED**].

Financial liabilities

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

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, bank borrowings, amount due to 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 on ordinary shares

For the redeemable obligation on certain ordinary shares issued by the Company as detailed in note 29, financial liabilities are recognized for the Company to purchase its 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

The Group derecognizes financial liabilities when, and only when, the Group's 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the Group's intention to complete and the Group's 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. Management assesses 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 costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Useful lives of property and equipment

The management of the Group determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property and equipment. This estimate is reference to the useful lives of property and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or sold.

6. SEGMENT INFORMATION

The Group has been operating in one reportable segment, being the discovering, developing and commercializing new class of innovative medicines in respect to anti-tumor bispecific antibody.

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker ("CODM"), reviews the overall results and financial position of the Group as a whole and no further analysis of the single segment is presented.

Geographical information

The Group has not generated any revenue during the Track Record Period. As at December 31, 2021 and 2022, all of the Group's non-current assets are located in the PRC.

7. OTHER INCOME

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Government grants *(note i)*	12,093	2,254
Income from sales of protein antigen *(note ii)*	472	–
Bank interest income	162	283
Others	71	23
	12,798	2,560

Notes:

(i) The amounts represent government grants received from various PRC government authorities as incentives for the Group's research and development activities. Some subsidies had certain conditions imposed by the respective PRC government authorities. The relevant conditions have been fully met upon recognition.

(ii) The amounts represent sales of protein antigen to a single customer. Sales of protein antigen is not derived from the ordinary course of the Group. For sales of protein antigen, income is recognized when the customer obtains control of the goods, being at the point the goods are delivered to the customer. The Group requires for 100% upfront payments from its customers.

8. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Loss on disposal of property and equipment	(545)	(3)
Gain from changes in fair value of financial assets at FVTPL *(note 21)*	1,261	671
Others	–	3
	716	671

9. FINANCE COSTS

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings	1,208	2,448
Interest expenses on lease liabilities	42	20
Interest expenses on redemption liabilities on ordinary shares *(note 29)*	13,722	–
	14,972	2,468

10. LOSS BEFORE TAX

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Loss before tax for the year has been arrived at after charging:		
Directors and supervisors' emoluments *(note 12)*	20,859	4,906
Other staff costs:		
– salaries and other benefits	15,892	20,640
– discretionary bonuses *(note)*	1,314	2,719
– retirement benefit scheme contributions	2,177	3,337
– share-based payments	23,151	1,584
	63,393	33,186
Depreciation of property and equipment	6,983	6,299
Depreciation of right-of-use assets	589	600
Depreciation of investment properties	45	45
	7,617	6,944
Cost of inventories recognized as an expense	17,595	21,481
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]

Note: Discretionary bonuses are determined based on the duties and performances of the relevant individuals and the operating result of the Group.

11. INCOME TAX EXPENSE

Pursuant to the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the applicable tax rate of the Company and its subsidiaries is 25% during the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive expenses as follows:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Loss before tax	(148,518)	(188,866)
Income tax expense calculated at 25%	(37,130)	(47,217)
Tax effect of expenses that are not deductible for tax purpose	14,163	1,730
Effect of research and development expenses that are additionally deducted *(note)*	(4,990)	(18,526)
Tax effect of deductible temporary differences not recognized	1,379	2,247
Tax effect of tax losses not recognized	26,578	61,766
	–	–

Note: Pursuant to Caishui 2018 circular No. 99, the Group enjoys super deduction of 175% on qualifying research and development expenditures throughout the Track Record Period.

At December 31, 2021 and 2022, the Group has unrecognized tax losses of approximately RMB427,944,000 and RMB632,811 respectively. At December 31, 2021 and 2022, the Group has deductible temporary differences of approximately RMB7,268,000 and RMB16,256,000 respectively. No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

The unrecognized tax losses will be carried forward and expire in years as follows:

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
2022	42,197	–
2023	44,222	44,222
2024	117,457	117,457
2025	117,756	117,756
2026	106,312	106,312
2027	–	247,064
	427,944	632,811

12. DIRECTORS', SUPERVISORS', AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the directors, supervisors and the Chief Executive Officer of the Company for the service provided to the Group during the Track Record Period are as follows:

(a) Executive and non-executive directors and supervisors

	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000* *(note xv)*	*RMB'000* *(note xiii)*	*RMB'000*
For the year ended December 31, 2021					
Chief Executive Officer and executive director:					
Mr. Pengfei Zhou *(note i)*	1,825	39	10,814	157	12,835
Non-executive directors:					
Mr. Xiwu Hui (惠希武) *(note ii)*	–	–	–	–	–
Mr. Qian Liang (梁倩) *(note ii)*	–	–	–	–	–
Mr. Qian Yuan (袁謙) *(note iii)*	–	–	–	–	–
Mr. Hongfeng Zhou (周宏峰) *(note iii)*	–	–	–	–	–
Mr. Zhenhai Pang (龐振海) *(note iv)*	–	–	–	–	–
Mr. Dan Liu (柳丹) *(note v)*	–	–	–	–	–
Mr. Hongwei Guo (郭宏偉) *(note vi)*	–	–	–	–	–
Mr. Shouwu Xie (謝守武) *(note vi)*	–	–	–	–	–
Supervisors:					
Mr. Jing Zhang (張敬) *(note vii)*	637	24	3,594	94	4,349
Mr. Jumin Sun (孫聚民) *(note x)*	–	–	–	–	–
Mr. Fang Liu (劉芳) *(note xi)*	–	–	–	–	–
Mr. Changtao Ji (紀昌濤) *(note ix)*	–	–	–	–	–
Mr. Jizu Yi *(note viii)*	1,450	–	2,087	138	3,675
	3,912	63	16,495	389	20,859

	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000* *(note xv)*	*RMB'000* *(note xiii)*	*RMB'000*
For the year ended December 31, 2022					
Chief Executive Officer and executive director:					
Mr. Pengfei Zhou *(note i)*	1,989	52	–	267	2,308
Non-executive directors:					
Mr. Xiwu Hui (惠希武) *(note ii)*	–	–	–	–	–
Mr. Qian Liang (梁倩) *(note ii)*	–	–	–	–	–
Mr. Qian Yuan (袁謙) *(note iii)*	–	–	–	–	–
Mr. Hongfeng Zhou (周宏峰) *(note iii)*	–	–	–	–	–
Mr. Zhenhai Pang (龐振海) *(note iv)*	–	–	–	–	–
Mr. Dan Liu (柳丹) *(note v)*	–	–	–	–	–
Mr. Hongwei Guo (郭宏偉) *(note vi)*	–	–	–	–	–
Mr. Shouwu Xie (謝守武) *(note vi)*	–	–	–	–	–
Supervisors:					
Mr. Jing Zhang (張敬) *(note vii)*	694	51	–	103	848
Mr. Jumin Sun (孫聚民) *(note x)*	–	–	–	–	–
Ms. Fang Liu (劉芳) *(note xi)*	–	–	–	–	–
Mr. Changtao Ji (紀昌濤) *(note ix)*	–	–	–	–	–
Mr. Jizu Yi *(note viii)*	1,581	–	–	169	1,750
	4,264	103	–	539	4,906

Notes:

i. Mr. Pengfei Zhou was appointed as the chief executive officer on March 16, 2018 and executive director on November 11, 2022.

ii. Mr. Xiwu Hui and Mr. Qian Liang were appointed as non-executive directors of the Company on November 11, 2022.

iii. Mr. Qian Yuan and Mr. Hongfeng Zhou were appointed as non-executive directors of the Company on November 11, 2022.

iv. Mr. Zhenhai Pang was appointed as non-executive director of the Company on November 11, 2022.

v. Mr. Dan Liu was appointed as non-executive director of the Company on November 11, 2022.

vi. Mr. Hongwei Guo and Mr. Shouwu Xie was appointed as non-executive director of the Company on November 11, 2022.

vii. Mr. Jing Zhang was appointed as supervisor of the Company on February 26, 2018. The supervisor's emoluments disclosed above was for service rendered by him as employee of the Company.

viii. Mr. Jizu Yi was appointed as supervisor of the Company on May 25, 2021. The supervisor's emoluments disclosed above was for service rendered by him as employee of the Company.

ix. Mr. Changtao Ji was appointed as supervisor of the Company on May 20, 2021.

x. Mr. Jumin Sun was appointed as supervisor of the Company on January 10, 2018.

xi. Ms. Fang Liu was appointed as supervisor of the Company on March 7, 2016.

xii. The executive director's emoluments shown above was for his services in connection with the management of the affairs of the Company and the Group.

xiii. The discretionary bonuses are determined based on the duties and performances of the relevant individuals and the operating result of the Group.

xiv. None of the directors of the Company waived or agreed to waive any emoluments during the Track Record Period.

xv. During the Track Record Period, certain directors and supervisors were granted share options or restricted shares, in respect of their services to the Group, details are set out in note 32 to the Historical Financial Information.

(b) Independent non-executive directors

No independent non-executive directors were appointed by the Company during the Track Record Period. Weiguo Dai, Bin Cheng (程斌), Lili Fu (付黎黎), Bin Chen (陳斌) and Yuezhen Deng (鄧躍臻) were appointed as independent non-executive directors of the Company and the appointment would take effect from the date of [**REDACTED**] of the Company.

(c) Five highest paid employees

The five highest paid individuals of the Group included three director or supervisors of the Company for the Track Record Period, details of whose remuneration are set out above. Details of the remuneration for the remaining two highest paid employees for the Track Record Period are as follows:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Salaries and other benefits	1,122	1,740
Discretionary bonuses *(note)*	128	187
Retirement benefit scheme contributions	49	104
Share-based payments	3,122	396
	4,421	2,427

Note: Discretionary bonuses are determined based on the duties and performances of the relevant individuals and the operating result of the Group.

The emoluments of the five highest paid individuals for the years ended December 31, 2021 and 2022 are within the following bands:

	Year ended December 31,	
	2021	**2022**
	No. of employees	*No. of employees*
Hong Kong Dollars ("HK$")1,000,001 to HK$1,500,000	–	3
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	1	1
HK$4,000,001 to HK$4,500,000	1	–
HK$5,000,001 to HK$5,500,000	1	–
HK$15,000,001 to HK$15,500,000	1	–
	5	5

During the Track Record Period, no emoluments were paid by the Group to any of the executive director, non-executive directors, independent non-executive directors, or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. LOSS PER SHARE

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Loss:		
Loss for the purpose of calculating basic and diluted loss per share	(148,518)	(188,866)
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic loss per share calculation	152,112	172,044
Effect of dilutive potential ordinary shares:		
Ordinary Shares with redemption rights	–	N/A
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	152,112	172,044
Loss per share		
– Basic	(0.98)	(1.10)
– Diluted	(0.98)	N/A

Certain investors' shares, which are recorded as redemption liabilities on ordinary shares in note 29, are not treated as outstanding shares and thus are excluded in the calculation of basic loss per share until the redemption right was terminated on August 30, 2021.

The Company was converted to a joint stock company on January 13, 2022, 168,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. This capitalization of share capital is applied retrospectively for the purpose of calculating basic loss per share, as adjusted for the capital contributions by the then shareholder.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Before August 30, 2021, the Company had certain investors' shares which are ordinary shares with redemption rights, the ordinary shares with redemption rights were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31,2021 is the same as basic loss per share.

No diluted loss per share for 2022 was presented as there was no potential ordinary shares in issue for 2022.

14. DIVIDENDS

No dividend was declared or paid by the Company during the Track Record Period.

15. PROPERTY AND EQUIPMENT

The Group and the Company

	Buildings	Equipment	Furniture and fixture	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At January 1, 2021	15,044	65,628	3,154	949	1,760	16,845	103,380
Additions	–	1,397	58	302	–	–	1,757
Disposals	–	(5,520)	(256)	(248)	–	–	(6,024)
At December 31, 2021	15,044	61,505	2,956	1,003	1,760	16,845	99,113
Additions	–	1,193	170	–	–	–	1,363
Disposals	–	(11)	(4)	–	–	–	(15)
At December 31, 2022	15,044	62,687	3,122	1,003	1,760	16,845	100,461
DEPRECIATION							
At January 1, 2021	7,031	35,192	2,866	684	808	–	46,581
Provided for the year	710	5,836	105	165	167	–	6,983
Eliminated on disposals	–	(4,952)	(242)	(238)	–	–	(5,432)
At December 31, 2021	7,741	36,076	2,729	611	975	–	48,132
Provided for the year	710	5,170	96	156	167	–	6,299
Eliminated on disposals	–	(8)	(4)	–	–	–	(12)
At December 31, 2022	8,451	41,238	2,821	767	1,142	–	54,419
CARRYING AMOUNTS							
At December 31, 2021	7,303	25,429	227	392	785	16,845	50,981
At December 31, 2022	6,593	21,449	301	236	618	16,845	46,042

The above items of property and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Buildings	20 years
Leasehold improvement	Over the shorter of the relevant lease terms or 10 years
Equipment	7 – 10 years
Furniture and fixture	3 – 5 years
Motor vehicles	4 years

As at December 31, 2021 and 2022, the Group has pledged buildings with carrying amounts of RMB7,303,000 and RMB6,593,000 respectively to secure general banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS

The Group and the Company

	Leasehold lands	**Leased properties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2021	8,709	740	9,449
Addition for the year	–	122	122
Depreciation charge for the year	(211)	(378)	(589)
At December 31, 2021	8,498	484	8,982
Addition for the year	–	125	125
Depreciation charge for the year	(211)	(389)	(600)
At December 31, 2022	8,287	220	8,507

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Expenses relating to short-term leases	80	181
Total cash outflow for leases	533	637

During the Track Record Period, the Group leases various properties for its research and development activities. Lease contracts are entered into for fixed term of 1 year to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group's interests in leasehold lands represent prepaid operating lease payments for land located in the PRC and the remaining lease term is 40 years.

As at December 31, 2021 and 2022, the Group has pledged leasehold lands with carrying amounts of RMB8,498,000 and RMB8,287,000 to secure general banking facilities granted to the Group.

As at December 31, 2021 and 2022, the Group's lease liabilities of RMB480,000 and RMB169,000 are recognized with related right-of-use assets of RMB484,000 and RMB220,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except for the leasehold lands, leased assets may not be used as security for borrowing purposes.

The Group regularly entered into short-term leases for equipment and properties. As at 31 December 2021 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. INVESTMENT PROPERTIES

The Group and the Company

	RMB'000
COST	
At January 1, 2021, December 31, 2021 and 2022	937
DEPRECIATION	
At January 1, 2021	311
Provided for the year	45
At December 31, 2021	356
Provided for the year	45
At December 31, 2022	401
CARRYING AMOUNT	
At December 31, 2021	581
At December 31, 2022	536

The Group leases out various residential properties under operating leases with fixed rentals receivable monthly.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair value of the Group's investment properties at December 31, 2021 and 2022 were RMB2,731,000 and RMB2,496,000, respectively. The fair value has been arrived at based on estimates made by the directors of the Company.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	As at December 31, 2021		As at December 31, 2022	
	Carrying amount	**Fair value at Level 2 hierarchy**	**Carrying amount**	**Fair value at Level 2 hierarchy**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Residential property units located in Wuhan	581	2,731	536	2,496

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Investment properties	20 years

As at December 31, 2021 and 2022, the Group has pledged investment properties with carrying amounts of RMB581,000 and RMB536,000 respectively to secure general banking facilities granted to the Group.

18. INVESTMENTS IN SUBSIDIARIES

The Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Cost of investments	21,000	21,000

19. INVENTORIES

The Group and the Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Materials for research and development project	8,914	10,623

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Prepayments for research and development services *(note)*	12,511	19,703
Prepayments for [**REDACTED**] and [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Advance to staff	328	337
Others	279	657
	14,139	27,814

The Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Prepayments for research and development services *(note)*	12,511	17,697
Prepayment for [**REDACTED**] and [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Advance to staff	328	337
Others	279	657
	14,139	25,808

Note: Prepayments mainly include upfront fee paid for research and development services for the clinical and non-clinical study of drugs.

21. FINANCIAL ASSETS AT FVTPL

The Group

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Structured deposits *(note i)*	17,000	32,000
Wealth management products *(note ii)*	2,500	15,000
	19,500	47,000

The Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Structured deposits *(note i)*	17,000	32,000

Notes:

(i) The Group and the Company invested in financial products managed by a financial institution in the PRC. 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. The investments have maturity date within one year and are classified as financial assets measured at FVTPL.

(ii) The Group invested in a wealth management product managed by a financial institution in the PRC with expected rates of return ranging from 2.55% to 3.10% and 2.80% to 4.10% per annum as at December 31, 2021 and 2022 respectively. The investments have maturity date within one year and are classified as financial assets measured at FVTPL.

22. CASH AND CASH EQUIVALENTS

The Group

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Cash at bank	34,830	153,520
Short-term bank deposits with maturity less than three months	48,255	–
	83,085	153,520

The Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Cash at bank	34,007	152,982
Short-term bank deposits with maturity less than three months	48,255	–
	82,262	152,982

Cash and cash equivalents comprise cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less and carry interests at prevailing market rates which was from 0.01% to 2.10%, and 0.05% to 0.9% as at December 31, 2021 and 2022 respectively.

23. TRADE AND OTHER PAYABLES

The Group

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Trade payables for research and development expenses	5,380	3,214
Accrued research and development expenses	7,761	15,503
Other payables to government *(note i)*	3,600	3,600
Accrued staff costs and benefits	2,885	3,456
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Government grants received on behalf of staff *(note ii)*	275	877
Other tax payables	362	454
Payables for acquisition of property and equipment	117	47
Others	193	77
	22,677	33,555

The Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Trade payables for research and development expenses	5,380	3,214
Accrued research and development expenses	7,761	12,854
Other payables to government *(note i)*	3,600	3,600
Accrued staff costs and benefits	2,885	3,456
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Government grants received on behalf of staff *(note ii)*	275	877
Other tax payables	362	454
Payables for acquisition of property and equipment	117	47
Others	193	77
	22,677	30,906

Notes:

(i) This amount was asset related government subsidy and attached with conditions that the construction of the buildings should be completed and approved by the respective PRC government authority before December 31, 2016. The Company has not fulfilled the conditions attached to this subsidy at December 31, 2021 and 2022. Therefore, the amount was repayable to the respective PRC government authority on demand.

(ii) These amounts were government subsidy received on behalf of staff and repayable to staff on demand.

The credit period on purchases of goods/services of the Group and the Company is 0 to 90 days.

The following is an aging analysis of trade payables of the Group and the Company based on the invoice dates at the end of each reporting period:

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
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

Analysis of trade payables and other payables of the Group and the Company denominated in currencies other than the functional currency of relevant group entities is set out below:

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
GBP	469	713
HK$	61	469
US$	956	5,361
EUR	441	–
CHF	–	754
	1,927	7,297

24. BANK BORROWINGS

The Group and the Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Secured bank loans *(note i)*	23,000	45,000
Unsecured bank loans *(note ii)*	5,000	31,500
	28,000	76,500

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
The carrying amounts of the above borrowings are repayable based on scheduled repayment terms:		
Within one year	28,000	76,500

Notes:

(i) The bank borrowings as at December 31, 2021 were secured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 5.22% per annum. Such bank borrowings were secured by the Group's property and equipment, right-of-use assets and investment properties with carrying amount of RMB7,303,000, RMB8,498,000, and RMB581,000 respectively as at December 31, 2021. The borrowings were repaid in full in February and March 2022.

The bank borrowings as at December 31, 2022 were secured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 4.35% per annum. Such bank borrowings were secured by the Group's property and equipment, right-of-use assets and investment properties with carrying amount of RMB6,593,000, RMB8,287,000, and RMB536,000 respectively as at December 31, 2022. The borrowings of RMB18,000,000 were repaid in May 2023, and the remaining RMB27,000,000 will be repayable in June and July 2023.

(ii) The bank borrowings as at December 31, 2021 were unsecured, guaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 5.40% per annum. Such bank borrowing was guaranteed by the Company's subsidiary of Nanjing Youbodi Biotechnology Co., Ltd* (南京友博迪生物技術有限公司) ("YBD"). The borrowings were repaid in full in June 2022.

The bank borrowings of RMB27,500,000 as at December 31, 2022 were unsecured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 4.80% per annum. The borrowings were repaid in full till April 2023.

The bank borrowings of RMB4,000,000 as at December 31, 2022 were unsecured, unguaranteed, and carried a fixed-rate interest rate (also being the effective interest rate) of 5.10% per annum. The borrowings will be repayable in full in June 2023.

* English name is for identification purpose only.

The exposure of the Group's borrowings are as follows:

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Fixed-rate borrowings	28,000	76,500

The ranges of effective interest rates per annum on the Group's and the Company's borrowings are as follows:

	At December 31,	
	2021	**2022**
Effective interest rate:		
Fixed-rate borrowings	5.22%-5.40%	4.35%-5.10%

25. AMOUNT DUE FROM A SUBSIDIARY/AMOUNT DUE TO A RELATED PARTY/A SUBSIDIARY

The Group and the Company

Amount due to a related party

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd* (石藥集團中奇製藥技術(石家莊)有限公司) ("CSPC Zhongqi")	4,659	–

CSPC Zhongqi is a wholly-owned subsidiary of CSPC NBP Pharmaceutical Co., Ltd* (石藥集團恩必普藥業有限公司) ("CSPC"), one of the investors from Series A Shares. The amount was trade nature, unsecured, interest-free and repayable on demand. The maximum outstanding balance during the years ended December 31, 2021 and 2022 were RMB4,659,000 and RMB6,294,000, respectively and the opening balance as at January 1, 2021 was RMB1,501,000.

The aging of amount due to a related party of the Group and the Company, based on the invoice date, are within 30 days as at the end of each reporting period.

The Company

Amount due from a subsidiary

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Wuhan Youwei Biotechnology Co., Ltd* (武漢友微生物技術有限公司) ("YW") *(note i)*	–	17,418

* English name is for identification purpose only.

Amount due to a subsidiary

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Unsecured loan from YBD *(note ii)*	15,444	–
Other payables to YBD *(note iii)*	2,572	5,519
	18,016	5,519

Notes:

(i) The amount was unsecured with the fixed interest rate of 4.50% per annum, and due to be repaid in April 2023. In April 2023, the loan period was further extended to December 2023.

(ii) The loan was unsecured, with the fixed interest rate of 3.85% per annum, and repaid in full in 2022.

(iii) The amounts were non-trade in nature, unsecured, interest free and repayable on demand.

26. LEASE LIABILITIES

The Group and the Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	397	169
Within a period of more than one year but not exceeding two years	83	–
Within a period of more than two years but not exceeding five years	–	–
	480	169
Less: Amount due for settlement with 12 months shown under current liabilities	397	169
Amount due for settlement after 12 months shown under non-current liabilities	83	–

The weighted average incremental borrowing rates applied to lease liabilities range from 5.72% to 5.90% per annum for the Track Record Period.

27. DEFERRED INCOME

The Group and the Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Subsidies related to research and development activities *(note)*	1,175	2,975

The movements in deferred income during the Track Record Period are as follows:

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
At beginning of the year	924	1,175
Received during the year	1,175	3,816
Recognized in profit for loss during the year	(924)	(2,016)
At end of the year	1,175	2,975

Note: Subsidies are in relation to research and development activities of the Group and the Company. The subsidies can be regarded as fully granted until certain conditions are fulfilled. As at December 31, 2021 and 2022, the relevant conditions have not been fully fulfilled and therefore the government subsidies were classified as deferred income. Such deferred income is categorized as current liabilities because the fulfillment date are reasonably estimated within one year.

28. ADVANCE FROM TRANSFER AGREEMENT

The Group and the Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Upfront fee received from transfer agreement	–	33,761

In July 2022, the Company entered into an agreement with an independent third party (the "Agreement") to transfer all of the rights and assets relating to one of its drug candidates (the "Transfer").

The Company is entitled to a fixed upfront fee amounting to USD5,000,000 for the Transfer. According to the Agreement, the upfront fee will be required to refund upon the condition, which is not possible to predict the possibility of occurence, and the upfront fee was recognised as advance from transfer agreement and classified as current liabilities.

29. REDEMPTION LIABILITIES ON ORDINARY SHARES

In December 2020, the Company entered into investment agreements with several independent investors ("Series B Investors"), pursuant to which the investors made a total investment of RMB168,700,000 in the Company as consideration for subscription of the Company's paid-in capital of RMB15,906,000 ("Series B Shares") with a preference right of the Company ("Series B Financing"). The Company had received all proceeds for Series B Shares by August 2021.

In January 2021, the Company entered into investment agreements with several independent investors ("Series B+ Investors"), pursuant to which the investors made a total investment of RMB20,000,000 in the Company as consideration for subscription of the Company's paid-in capital of RMB1,886,000 ("Series B+ Shares") with a preference right of the Company ("Series B+ Financing"). The Company had received all investment funds for Series B+ Shares by March 2021.

In July 2021, the Company entered into investment agreements with several independent investors ("Series B++ Investors"), pursuant to which the investors made a total investment of RMB73,500,000 in the Company as consideration for subscription of the Company's paid-in capital of RMB5,851,000 ("Series B++ Shares") with a preference right of the Company ("Series B++ Financing"). The Company had received all investment funds for Series B++ Shares by August 2021.

The key terms of the Series B, Series B+ and Series B++ Financing are summarized as follows:

Redemption rights

One of Series B Investors ("Investor B-I") and Series B++ Investors were entitled to the redemption right, upon the occurrence of certain events, including: (i) [**REDACTED**] cannot be submitted and accepted on or before December 31, 2022, or (ii) [**REDACTED**] cannot be completed on or before June 30, 2023. If [**REDACTED**] fails to be submitted and accepted on or before December 31, 2022, Mr. Yuan Qian, Mr. Zhou Hongfeng and Mr. Pengfei Zhou ("founders") and Wuhan Caizhi Management Partnership (Limited Partnership) ("Caizhi") will be obligated to repurchase the shares from Investor B-I and Series B++ Investors at the original investment plus a yield at 10% per annum and minus any paid dividends. If [**REDACTED**] fails to be completed on or before June 30, 2023, Mr. Pengfei Zhou, one of the founders, and Caizhi will be obligated to repurchase the shares from Investor B-I and Series B++ Investors at the amount of the original investment from the investors plus a yield at 10% per annum and minus any paid dividends, and limited to the higher of the fair value and net book value of equity interests of the Company held by Mr. Pengfei Zhou and Caizhi. The Company was jointly liable for the redemption obligations, which was recognized as the financial liabilities at amortized cost.

The remaining Series B Investors and Series B+ Investors were entitled to the redemption right, upon the occurrence of the event that [**REDACTED**] cannot be completed on or before June 30, 2023. If [**REDACTED**] fails to be completed on or before June 30, 2023, Mr. Pengfei Zhou, one of the founders, and Caizhi will be obligated to repurchase the shares from the remaining Series B Investors and Series B+ Investors at the amount of the original investment from the investors plus a yield at 10% per annum and minus any paid dividends, and limited to the higher of the fair value and net book value of the equity interests of the Company held by Mr. Pengfei Zhou and Caizhi. The Company was jointly liable for the redemption obligations, which was recognized as the financial liabilities at amortized cost.

The redemption rights aforementioned hereinabove was terminated on August 30, 2021. Accordingly, the amounts of the financial liabilities at amortized cost were derecognized and credited to other reserve.

Presentation and classification

The redemption obligations give rise to financial liabilities, which are measured at present value of redemption amount. The movements of redemption liabilities during the Track Record Period are set out below.

	Series B	Series B+	Series B++	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2021	105,047	–	–	–	105,047
Recognition of liabilities on Series B Shares	47,461	–	–	–	47,461
Recognition of liabilities on Series B+ Shares	–	17,736	–	–	17,736
Recognition of liabilities on Series B++ Shares	–	–	68,845	–	68,845
Interest charge	–	–	–	13,722	13,722
Termination of redemption liabilities on Series B, B+ and B++ Shares	(152,508)	(17,736)	(68,845)	(13,722)	(252,811)
As at December 31, 2021	–	–	–	–	–

The Group 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. The directors of the Company estimated the effective interest rate based on the yield of the China Corporate Bonds with a similar maturity life of the ordinary shares with redemption obligations.

30. PAID-IN CAPITAL/SHARE CAPITAL

As disclosed in note 1, the Company converted into a joint stock company on January 13, 2022. The balance as at January 1, 2021 and December 31, 2021 represented the paid-in capital of the Company prior to the conversion to a joint stock company. Share capital as at December 31, 2022 represented the issued share capital of the Company.

Paid-in capital

Issued and paid

	Paid-in capital
	RMB'000
At January 1, 2021	156,392
Issue of Series B Shares-second and third tranche *(note i)*	943
Issue of Series B+ Shares *(note ii)*	1,886
Issue of Series B++ Shares *(note iii)*	5,851
At December 31, 2021	165,072
Conversion into a joint stock company *(note iv)*	(165,072)
At December 31, 2022	–

Share capital

	Number of shares	Nominal value of shares
		RMB'000
Authorized and issued		
As at January 1, 2021, December 31, 2021	–	–
Issue of ordinary shares upon conversion into a joint stock company *(note iv)*	168,000,000	168,000
Issue of shares *(note v)*	14,000,000	14,000
As at December 31, 2022	182,000,000	182,000

Notes:

(i) In January 2021, the Company received second tranche of RMB20,000,000 from Series B Investors, among which RMB943,000 was credited to the Company's paid-in capital and the remaining balance was credited as capital reserve. In August 2021, the Company received third tranche of RMB31,710,000 from Series B Investors, and the amount was credited as capital reserve.

(ii) In January 2021, the Company completed Series B+ Financing with RMB20,000,000 invested into the Company, among which RMB1,886,000 was credited to the Company's paid-in capital and the remaining balance was credited as capital reserve.

(iii) In July 2021, the Company completed Series B++ Financing with RMB73,500,000 invested into the Company, among which RMB5,851,000 was credited to the Company's paid-in capital and the remaining balance was credited as capital reserve.

(iv) On January 13, 2022, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion date of August 31, 2021, including paid-in capital, reserves and accumulated losses, amounting to approximately RMB175,384,000 were converted into approximately 168,000,000 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

(v) In October 2022, the Company issued 14,000,000 ordinary shares at the consideration of RMB200,000,000 to investors. RMB14,000,000 was credited to the Company's share capital and the remaining balance was credited as share premium.

31. RESERVES

The Group

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

(i) Capital reserve

The capital reserve of the Group represents the premium of paid-in capital contributed by the equity holders of the Company.

(ii) Other reserves

Other reserve of the Group represents recognition and termination of redemption liabilities on ordinary shares as disclosed in note 29.

(iii) Share-based payment reserve

Share-based payment reserve of the Group represents share-based compensation reserve due to equity-settled share awards.

The Company

	Capital reserve	Share premium	Other reserve	Share-based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	293,198	–	(105,047)	48,632	(423,833)	(187,050)
Loss and total comprehensive expenses for the year	–	–	–	–	(148,942)	(148,942)
Contribution from Series A Investors	4,700	–	–	–	–	4,700
Debt waived by Series A Investors *(note 33)*	14,100	–	–	–	–	14,100
Issue of Series B Shares-second and third tranche	50,767	–	–	–	–	50,767
Issue of Series B+ Shares	18,114	–	–	–	–	18,114
Issue of Series B++ Shares	67,649	–	–	–	–	67,649
Recognition of liabilities on Series B, B+, and B++ Shares *(note 29)*	–	–	(134,042)	–	–	(134,042)
Termination of redemption liabilities on Series B, B+, and B++ Shares *(note 29)*	–	–	252,811	–	–	252,811
Recognition of equity-settled share-based payments *(note 32)*	–	–	–	39,646	–	39,646
At December 31, 2021	448,528	–	13,722	88,278	(572,775)	(22,247)
Issue of shares	–	186,000	–	–	–	186,000
Loss and total comprehensive expenses for the year	–	–	–	–	(170,964)	(170,964)
Recognition of equity-settled share-based payments	–	–	–	1,584	–	1,584
Conversion into a joint stock company	(448,528)	7,384	(13,722)	(88,278)	540,216	(2,928)
At December 31, 2022	–	193,384	–	1,584	(203,523)	(8,555)

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity incentive plan

The Company adopted equity incentive plan ("ESOP Plan") in order to provide incentives to employees and directors to promote the success of the business of the Group.

Under the ESOP Plan, the founders of the Company may grant share options to eligible employees and directors. The maximum number of shares which may be issued pursuant to all awards granted under the ESOP Plan was 16,500,000 shares, assuming the ESOP Plan shares have been fully issued.

The vesting commencement date ("Vesting Commencement Date") of the options granted under the ESOP Plan is one year after date of grant and the options granted shall vest in below schedule: (i) 1/4th of the share options to vest on the Vesting Commencement Date; (ii) the remaining share options to vest in a series of thirty-six (36) successive equal monthly installments starting from the Vesting Commencement Date. All the options will expire in 10 years after date of grant.

To implement the ESOP plan, the founders of the Company established an employee stock ownership platform, namely Caizhi in August 2015, to hold the Company's paid-in capital of RMB16,500,000, which was transferred from the founders. Upon exercise of the options, eligible employees and directors shall subscribe for partnership interest of Caizhi at a consideration price ranges from RMB0.8 to RMB6.36 for RMB1 registered capital and indirectly hold the equity interests of the Company.

In August 2021, the Company terminated the ESOP Plan and all the share options granted. The share options which account for RMB3,285,000 of the Company's paid-in capital, have been exercised in Caizhi before termination.

Restricted shares plan

As a replacement for the ESOP Plan, the Company has formulated RS scheme ("Caizhi I RS Scheme"). To implement Caizhi I RS Scheme, another two employee stock ownership platforms, namely Nanjing Huiyou Jucai Enterprise Management Partnership (Limited Partnership) ("Huiyou Jucai") and Nanjing Huiyou Juzhi Enterprise Management Partnership (Limited Partnership) ("Huiyou Juzhi") were established in August 2021. On the date of establishment, Caizhi transferred the Company's paid-in capital of RMB8,375,000 and RMB4,840,000 to Huiyou Jucai and Huiyou Juzhi respectively, and the Company's paid-in capital of RMB3,285,000 were retained in Caizhi.

Under the Caizhi I RS Scheme, eligible employees and directors shall subscribe for partnership interest of Huiyou Jucai and Huiyou Juzhi at a consideration price ranges from RMB1.58 to RMB6.36 for RMB1 registered capital and indirectly hold the incentive shares of the Company.

On the same date of terminating all the options granted under ESOP Plan, the Company has signed Employee Shareholding Confirmation Letter with those employees and directors who has been granted share options under ESOP Plan to grant same number of RS corresponding to the number of original options no matter whether the original options have been vested or not. In the meantime, the Company also grant additional RS to part of those employees who have been granted share options in the ESOP plan and other key employees who make contribution to the development of the Company.

The RS issued under Caizhi I RS Scheme have been vested upon issuance in August 2021.

In the view of Directors of the Company, the Caizhi I RS Scheme was a replacement of ESOP Plan and therefore was accounted for as modification in accordance with *IFRS 2 Share-based Payment*. The amount of RMB11,554,000 was recognized immediately in the consolidated statements of profit or loss and other comprehensive income due to the acceleration of vesting of the share options under ESOP plan. The amount of RMB4,135,000 was recognized in the consolidated statements of profit or loss and other comprehensive income due to the grant of additional RS under Caizhi I RS Scheme.

Set out below are details of the movements of the equity-settled share-based transactions during the Track Record Period:

	At January 1, 2021	Granted during the year	Lapsed during the year	Forfeited during the year	Modified during the year	Exercised during the year	At December 31, 2021	Granted during the year	Lapsed during the year	Forfeited during the year	Modified during the year	Exercised during the year	At December 31, 2022
Options under ESOP Plan													
Directors	4,144,250	250,000	–	–	(4,394,250)	–	–	–	–	–	–	–	–
Employees	3,879,317	3,720,000	211,458	568,542	(6,819,317)	–	–	–	–	–	–	–	–
	8,023,567	3,970,000	211,458	568,542	(11,213,567)	–	–	–	–	–	–	–	–
Weighted average exercise price of Options (RMB)	2.97	6.36	6.36	6.36	3.94	–	–	–	–	–	–	–	–
Exercisable (Options under ESOP Plan)													
Directors							–						–
Employees							–						–
							–						–
RS under Caizhi I RS Scheme													
Directors	–	–	–	–	4,394,250	4,394,250	–	–	–	–	–	–	–
Employees	–	2,001,325	–	–	6,819,317	8,820,642	–	200,000	–	–	–	(200,000)	–
	–	2,001,325	–	–	11,213,567	13,214,892	–	200,000	–	–	–	(200,000)	–
Weighted average exercise price of RS (RMB)	–	6.36	–	–	3.94	4.32	–	6.36	–	–	–	6.36	–

Fair value of share options granted

The Group used back-solve method to determine the underlying equity fair value of the Company. Binomial Option Pricing Model was used to determine the fair value of share options at the date of grant under ESOP Plan. The fair value of share options was determined to be in the range from RMB2.99 to RMB3.93 during the Track Record Period, by referring to the equity fair value of the Company and the exercise prices of the share options of RMB6.36. The foresaid fair value of the share options at date of grant was valued by directors of the Company with reference to valuation reports carried out by AVISTA Valuation Advisory Limited ("AVISTA"), an independent qualified valuer. The address of AVISTA is Suites 2401-06, 24/F, Everbright Centre, No 108 Gloucester Road, Wan Chai, Hong Kong. Key assumptions into the model for share options were as follows:

	August 2018	December 2018	July 2019	August 2020	June 2021
Grant date fair value of the Company's shares	RMB5.95	RMB6.09	RMB6.23	RMB6.34	RMB6.75
Exercise price	RMB6.36	RMB6.36	RMB6.36	RMB6.36	RMB6.36
Expected volatility	53.34%	50.15%	49.75%	50.57%	51.41%
Expected life	10 years	10 years	10 years	10 years	10 years
Risk-free rate	3.55%	3.17%	3.17%	3.03%	3.04%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

The directors of the Company estimated the risk-free interest rate based on the yield of the China Corporate Bonds with a maturity life close to the option life of the share options. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date.

During year ended December 31, 2021 and 2022, the Group has recognized share-based payment expenses of RMB14,790,000 and Nil, respectively, related to the ESOP Plan.

Fair value of RS granted under Caizhi I RS Scheme

The Group used back-solve method to determine the underlying equity fair value of the Company The fair value of RS at date of grant was determined to be in the range from 2.07 to 7.93 by taking into account of the fair value of the equity of the Company ranged from RMB8.43 to RMB14.29 per share and the purchase price of RS was RMB6.36. The foresaid fair value of RS at date of grant was valued by directors of the Company with reference to valuation reports carried out by AVISTA.

During year ended December 31, 2021 and 2022, the Group has recognized share-based payment expenses of RMB4,135,000 and RMB1,584,000, respectively, related to the Caizhi I RS scheme.

Restricted shares plan under Caizhi II Enterprise Management

In August 2021, Mr. Yuan Qian and Mr. Zhou Hongfeng, two of the founders, and Series A investors of the Company established an employee stock ownership platform, namely Nanjing Caizhi No. 2 Enterprise Management Partnership (Limited Partnership) ("Caizhi II") to hold the Company's paid-in capital of RMB11,418,000, to implement RS scheme ("Caizhi II RS Scheme").

Under the Caizhi II RS Scheme, eligible employees and directors shall subscribe for partnership interest of Caizhi II at a consideration of RMB6.364 for RMB1 registered capital and indirectly hold the incentive shares of the Company.

Details of the restricted shares issued under the Caizhi II RS Scheme are as follows:

Grant date	**Amount of registered capital**	**Grantee**	**Vesting schedule defined in contract term**
	RMB'000		
August 20, 2021	11,418	Directors, employees	100% on grant date

All restricted shares issued under Caizhi II RS Scheme have been vested upon issuance in August 2021.

Fair value of RS granted under Caizhi II RS Scheme

The Group used back-solve method to determine the underlying equity fair value of the Company. Monte Carlo simulation model was used to determine the fair value of RS at the date of grant under Caizhi II RS Scheme. The fair value of RS was determined to be RMB1.81, by referring to the fair value of the equity of the Company amounting to RMB8.43 per share and the purchase price of RS of RMB6.36. The foresaid fair value of RS at date of grant was valued by directors of the Company with reference to valuation reports carried out by AVISTA.

During year ended December 31, 2021 and 2022, the Group has recognized share-based payment expenses of RMB20,721,000 and Nil, respectively, related to the Caizhi II RS scheme.

33. RELATED PARTY TRANSACTIONS

The Group has the following transactions and balances with the related parties during the Track Record Period.

(a) Related party transactions

Interest expenses arising from borrowings from related parties:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
CSPC *(note i)*	396	–
Shijiazhuang Shidai Weiye Cultural Development Co., Ltd* ("石家莊市時代偉業文化發展有限公司") ("SDWY") *note (ii)*	93	–
Total	489	–

Notes:

(i) The interest expenses are related to secured loan from CSPC with principal amount of RMB71,070,000 and unsecured loan from CSPC with principal amount of RMB9,118,000.

The secured loan from CSPC carried fixed interest rate of 8% per annum, and repayable on December 31, 2022. Pursuant to investment agreements with Series B Investors (as defined in note 29), the loan should be repaid to CSPC within 30 days upon receipt of proceeds from issuance of Series B Shares (as defined in note 29). The amount of principal and interest of the loan were fully repaid in January 2021. The interest expenses for the year ended December 31, 2021 was RMB281,000.

The unsecured loan from CSPC carried fixed interest rate of 8% per annum. According to the loan agreement, the amount of principal and interest of the loan should be repaid to CSPC if proceeds from issuance of Series B Shares (as defined in note 29) would be received by the Company before December 31, 2020. The principal amount of the loan were waived by CSPC in March 2021, and the interest of the loan were fully settled in March 2021. The interest expenses for the year ended December 31, 2021 was RMB115,000.

(ii) The interest expenses are related to unsecured loan from SDWY with principal amount of RMB4,982,000. The loan carried fixed interest rate of 8% per annum. According to the loan agreement, the amount of principal and interest of the loan should be repaid to SDWY if proceeds from issuance of Series B Shares (as defined in note 29) would be received by the Company before December 31, 2020. The principal amount of the loan were waived by SDWY in March 2021, and the interest of the loan were fully settled in March 2021. The interest expenses for the year ended December 31, 2021 was RMB93,000.

Purchase of research and development service from a related party:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
CSPC Zhongqi	4,045	2,245

(b) Related party balances

Details of the outstanding balances with related parties are set out in note 25.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Salaries and other benefits	5,476	6,249
Discretionary bonuses	557	564
Retirement benefit scheme contributions	169	291
Share-based payment	19,373	396
	25,575	7,500

34. CAPITAL COMMITMENT

	Year ended December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the Historical financial Information:		
– Property and equipment	257	1,116

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to investors through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank borrowings, amounts due to shareholders, lease liabilities and redemption liabilities on ordinary shares, net of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital, share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Financial assets		
Amortized cost (including cash and cash equivalents)	83,364	154,177
Financial assets at FVTPL	19,500	47,000
	102,864	201,177
Financial liabilities		
Amortized cost	52,089	106,145

The Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Financial assets		
Amortized cost (including cash and cash equivalents)	82,541	171,057
Financial assets at FVTPL	17,000	32,000
	99,541	203,057
Financial liabilities		
Amortized cost	70,105	109,015

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include deposits and other receivables, cash and cash equivalents, trade and other payables, bank borrowings, amount due to a related party and lease liabilities. The Company's major financial assets and liabilities include deposits and other receivables, amount due from a subsidiary, cash and cash equivalents, trade and other payables, bank borrowings, amount due to a subsidiary, amount due to a related party and lease liabilities. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain financial liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets at the end of each reporting period are mainly as follows:

The Group and the Company

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Liabilities		
GBP	469	713
HK$	61	469
US$	956	5,361
EUR	441	–
CHF	–	754
	1,927	7,297

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against GBP/HK$/US$/EUR/CHF, the foreign currency with which the Group and the Company may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where RMB strengthens 5% against GBP/HK$/US$/EUR/CHF. For a 5% weakening of RMB against GBP/HK$/US$/EUR/CHF, there would be an equal and opposite impact on loss for the year.

	At December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
Impact on profit or loss		
The Group and the Company		
GBP	23	36
HK$	3	23
US$	48	268
EUR	22	–
CHF	–	38
	96	365

(ii) Interest rate risk

The Group and the Company 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. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable, therefore no sensitivity analysis on such risk has been prepared.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets (including deposits and other receivables, amount due from a subsidiary, and cash and cash equivalents) as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For deposits and other receivables, the Group has applied 12m ECL 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. No loss allowance was made for deposits and other receivables at the end of each reporting period, as the management considered the ECL provision of deposits and other receivables is insignificant.

For amount due from a subsidiary, the Group has applied 12m ECL to measure the loss allowance. In assessing the probability of defaults of amount due from a subsidiary, the management has taken into account the financial position of the counterparty as well as forward looking information that is available without undue cost or effort. No loss allowance was made for amount due from a subsidiary at the end of each reporting period, as the management considered the ECL provision of amount due from a subsidiary is insignificant.

The credit risk on cash and cash equivalents are limited because the counterparties are reputable financial institutions. The management are of the opinion that the average loss rate is insignificant and no impairment was provided at the end of each reporting period.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group monitors the utilization of bank borrowings and relies on issuance of Investors' Shares and ordinary shares as a significant source of liquidity. The directors of the Company are satisfied that the Group will have sufficient financial resource to meet its financial obligation as they fall due and to sustain its operations for the foreseeable future.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	**Within 1 year and on demand**	**1 to 2 years**	**2 to 5 years**	**Total**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
At December 31, 2021						
Trade and other payables	–	19,430	–	–	19,430	19,430
Amount due to a related party	–	4,659	–	–	4,659	4,659
Bank borrowings	5.31	28,303	–	–	28,303	28,000
Lease liabilities	5.81	416	84	–	500	480
		52,808	84	–	52,892	52,569

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
At December 31, 2022						
Trade and other payables	–	29,645	–	–	29,645	29,645
Bank borrowings	4.75	78,701	–	–	78,701	76,500
Lease liabilities	5.81	173	–	–	173	169
		108,519	–	–	108,519	106,314

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company						
At December 31, 2021						
Trade and other payables	–	19,430	–	–	19,430	19,430
Bank borrowings	5.31	28,303	–	–	28,303	28,000
Amount due to a subsidiary	3.85	18,474	–	–	18,474	18,016
Amount due to a related party	–	4,659	–	–	4,659	4,659
Lease liabilities	5.81	416	84	–	500	480
		71,282	84	–	71,366	70,585

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company						
At December 31, 2022						
Trade and other payables	–	26,996	–	–	26,996	26,996
Bank borrowings	4.75	78,701	–	–	78,701	76,500
Amount due to a subsidiary	–	5,519	–	–	5,519	5,519
Lease liabilities	5.81	173	–	–	173	169
		111,389	–	–	111,389	109,184

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value measurements and valuation processes

Some of the Group's and the Company's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group and the Company use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group and the Company engage third party qualified valuers to perform the valuation and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

(ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The Group

	Fair value as at December 31, 2021	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key inputs	Significant Unobservable inputs	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*				
Financial assets at FVTPL	19,500	47,000	Level 2	Income approach- the discounted cash flow method was used to estimate the return from underlying assets.	N/A	N/A

The Company

	Fair value as at December 31, 2021	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key inputs	Significant Unobservable inputs	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*				
Financial assets at FVTPL	17,000	32,000	Level 2	Income approach- the discounted cash flow method was used to estimate the return from underlying assets.	N/A	N/A

There were no transfers between level 1 and level 2 during the Track Record Period.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

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

37. RETIREMENT BENEFIT PLANS

The employees of the Group entities in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The PRC entities are required to contribute, based on a certain percentage of the payroll costs of their employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB2,240,000, and RMB3,440,000 for the year ended December 31, 2021 and 2022, respectively.

38. PARTICULARS OF SUBSIDIARIES

As at December 31, 2021 and 2022 and the date of this report, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/country and date of establishment/ incorporation	Issued and fully paid-in/registered capital	Equity interest attributable to the Company			Principal activities
			December 31, 2021	December 31, 2022	Date of the report	
Shijiazhuang Shiyou Biotechnology Co., Ltd.* (石家莊石友生物技術有限公司) ("SY")	Shijiazhuang April 21, 2020	Nil	100%	100%	[100%]	Research and development
YBD	Nanjing December 29, 2020	RMB20,000,000 *(note i)*	100%	100%	[100%]	Research and development
YW	Wuhan March 22, 2021	RMB1,000,000 *(note ii)*	100%	100%	[100%]	Research and development

Notes:

(i) The registered capital was fully paid by the Company on January 29, 2021.

(ii) The registered capital was fully paid by the Company on August 23, 2021.

All of the subsidiaries adopted December 31 as financial year end.

No statutory financial statements have been prepared for SY, YBD and YW since the date of establishment.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings	Amounts due to shareholders	Lease liabilities	Redemption liabilities on ordinary shares	Accrued/ Prepaid [REDACTED]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	21,000	87,918	769	105,047	**[REDACTED]**	214,734
Financing cash flows	6,281	(74,307)	(453)	–	**[REDACTED]**	(68,876)
Non-Cash changes:						
[REDACTED] incurred	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Debt waived by Series A Investors	–	(14,100)	–	–	**[REDACTED]**	(14,100)
Recognition of redemption liabilities	–	–	–	134,042	**[REDACTED]**	134,042
Derecognition of financial liabilities	–	–	–	(252,811)	**[REDACTED]**	(252,811)
New leases entered	–	–	122	–	**[REDACTED]**	122
Finance costs	719	489	42	13,722	**[REDACTED]**	14,972
At December 31, 2021	28,000	–	480	–	**[REDACTED]**	28,973
Financing cash flows	46,052	–	(456)	–	**[REDACTED]**	41,334
Non-Cash changes						
[REDACTED] incurred	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
New leases entered	–	–	125	–	**[REDACTED]**	125
Finance costs	2,448	–	20	–	**[REDACTED]**	2,468
At December 31, 2022	76,500	–	169	–	**[REDACTED]**	78,570

40. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group granted share options/RS to certain employees. Further details are given in note 32.

In March 2021, the borrowings from CSPC and SDWY were waived. Further details are given in note 33.

41. SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Company or by the Group after December 31, 2022 and up to the date of this report.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2022 and up to the date of this report.