You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report set out in Appendix I to this document which have been prepared in accordance with IFRSs and the selected historical financial information and operating data included elsewhere in this document. Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this document.

OVERVIEW

We are a leading CRDMO focused on the global ADC and broader bioconjugate market and dedicated to providing integrated and comprehensive services. We are the second largest CRDMO for ADCs and other bioconjugates globally in terms of revenue in 2022, according to Frost & Sullivan. Leveraging expertise in both biologics and small molecules, we offer interdisciplinary and comprehensive services, covering bioconjugate discovery, research, development and manufacturing. We provide these services from proximately located and dedicated laboratories and manufacturing facilities, leading to significant reduction of development timeline and costs. As a fully integrated one-stop bioconjugate discovery, development and manufacturing platform, our mission is to continuously enhance our platform, propel and transform the development of the bioconjugate industry, enable global biopharmaceutical partners and benefit patients worldwide.

With our extensive technical capabilities and impeccable track record, we have become a trusted partner leading the bioconjugate development globally with a broad, loyal and fast-growing customer base. We employ an "enable, follow and win the molecule" strategy to not only grow with our existing customers by providing services from an early stage of their product development cycle, but also win new customers as their bioconjugates progress. As of December 31, 2020, 2021 and 2022 and June 30, 2023, as the result of our "enable" strategy, we had cumulatively progressed 9, 12, 24 and 30 ADC candidates, respectively, from discovery to CMC development. As the result of our "win the molecule" strategy, among the 110 ongoing integrated projects we had as of June 30, 2023, 36 were transferred to us from our customers or their outsourcing service providers. Our diverse and growing customer base includes both innovative biotechnology companies and global pharmaceutical companies, many of which are leading players in the ADC and bioconjugate space with potentially first-in-class or best-in-class pipeline programs. The number of our customers grew significantly from 49 in 2020 to 115 in 2021, 167 in 2022 and 169 in the six months ended June 30, 2023. As of June 30, 2023, we had served 304 customers cumulatively, including most of the major players in the global ADC and broader bioconjugate market. As of the same date, we had won ADC development contracts for all ADC candidates in China with dual filing of IND and/or BLA in China and the United States, and eight out of the 10 China-based companies that out-licensed their ADC pipelines overseas since 2022 are our customers.

We experienced robust growth in our revenue during the Track Record Period. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our revenue was RMB96.4 million, RMB311.1 million, RMB990.4 million, RMB329.4 million and RMB993.5 million, respectively. We recorded net profit of RMB26.3 million, RMB54.9 million, RMB155.7 million, RMB98.3 million and RMB177.2

million for the same periods, respectively. Our adjusted net profit (non-IFRS measure) amounted to RMB32.8 million, RMB77.1 million, RMB194.4 million, RMB108.9 million and RMB216.4 million in the same periods, respectively. See "— Non-IFRS Measures." Our backlog was US$318.0 million as of December 31, 2022 and US$410.6 million as of June 30, 2023.

BASIS OF PRESENTATION

We were incorporated in Cayman Islands on December 14, 2020. The historical financial information has been prepared in accordance with the accounting policies which conform with IFRSs issued by the International Accounting Standards Board and the convention applicable for certain transfers. See Notes 2 and 4 to the Accountants' Report for more information on the basis of preparation and presentation of our historical financial information.

In the application of our accounting policies, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying 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 assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods. Judgments made by our management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are stated in Note 5 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Growth of Global ADC and Broader Bioconjugate Market and the Outsourcing Rate

Our business and results of operations are driven by the demand for outsourcing services for ADCs and other bioconjugates, which in turn is dependent on the growth of the ADC and broader bioconjugate market and pharmaceutical and biotechnology companies' allocated budget on outsourced discovery, development and manufacturing for ADCs and other bioconjugates. According to Frost & Sullivan, the size of the global ADC drug market was US$7.9 billion in 2022 and is anticipated to reach US$64.7 billion in 2030. The outsourcing rate of bioconjugate development has reached approximately 70% by the end of 2022, and the size of the global ADC outsourcing services market was US$1.5 billion in 2022 and is anticipated to reach US$11.0 billion in 2030, at a CAGR of 28.4%. The increasing academic and commercial interest in ADCs and other bioconjugates, as well as the robust growth in pharmaceutical and biotechnology companies' spending on outsourcing services, has led to rising demand for our CRDMO services. We experienced substantial revenue growth during the Track Record Period, and we expect to continue to benefit from these positive market trends. See "Industry Overview" for a detailed discussion on the global ADC and broader bioconjugate market and the global ADC outsourcing services market.

Growth in Project Pipeline and Customer Base

Our business and results of operations depend on our ability to obtain new projects from existing customers and expand our customer base. Maintaining a strong pipeline and being able to continually replenish our backlog are crucial to our long-term success as they underpin the continued growth momentum of our business. Our ability to obtain new projects from both existing customers and new customers is affected substantially by our brand, service offerings, technology capabilities, service qualities, pricing, geographic footprint, and proven track record in serving our customers. Leveraging our advantages in these aspects, we strive to obtain more projects from our existing customers to maintain and strengthen the current level of business relationship. In addition, these advantages also enable us to further grow our customer base globally and acquire new customers to expand the size of our backlog. The number of our customers grew significantly from 49 in 2020 to 115 in 2021, 167 in 2022 and 169 in the six months ended June 30, 2023. As of June 30, 2023, we had served 304 customers cumulatively, including most of the major players in the global ADC and bioconjugate market. As of June 30, 2023, we had 67 ongoing preclinical bioconjugate projects and 43 ongoing post-IND bioconjugate projects. Our backlog reached US$410.6 million as of June 30, 2023, which represents the aggregate amount of service fees for services that we have contracted to perform but have not performed yet. The continued increase in the number of projects during the Track Record Period reflects our customers' trust in us and foretells our revenue and profit growth potential.

Success and Service Mix of Our Projects

Our financial performance is affected by whether the discovery and development of our customers' drug candidates can successfully progress as planned. We generally enter into project-based service contracts or long-term service contracts under which we receive fee income primarily on a fee-for-service, or FFS, basis for the services provided. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment. Therefore, predicting our revenue in a particular period may be difficult and our period-to-period comparisons may be less meaningful. If an ADC or other bioconjugate candidate is unsuccessful, our services will no longer be needed for the relevant project, and we will not be able to realize the remaining potential value under the contract for such project. If a project is delayed due to technical or other issues, we will be required to spend more time and effort on such project than originally expected. If a project reaches a stage pending regulatory approvals, such as the IND filing, our services will be pending until the regulatory approvals are obtained. We may also adopt the full-time-equivalent, or FTE, model, under which we designate employees to the customer's projects at a fixed rate per FTE employee per period-of-time.

Our growth momentum and profitability is also affected by the service required for different projects, depending on a number of factors, such as the specific development stage(s) covered by a project and our technology and human resources involved. Projects at different stages may have a varied gross profit margin profile. As a result, our revenue and gross profit margin vary between different projects. As pre-IND projects advance into the post-IND stage, the typical range of project contract values is expected to increase. Our revenue from post-IND services, as a percentage of our total revenue, increased from 44.9% in 2020 to 62.6% in the six months ended June 30, 2023. We expect commercial manufacturing projects to be a strong driver of our future revenue growth after we launch the expected commercial manufacturing of the first ADC drug in the near future. Any significant change in the mix of projects of different sizes and types of services may impact our results of operations and our overall profit margin.

Dynamic Pricing Strategy

Pricing is an important factor that affects our business and results of operations. If we are able to negotiate favorable contract terms with our customers, our revenue and profit margin may further increase. We determine our pricing strategies based on a variety of factors, such as our market share and growth strategy, market demand for our services, and pricing dynamics introduced by competitors. We face competition from other third-party contract service providers for the discovery, development and manufacturing of ADCs and other bioconjugates on a global basis. We believe our leadership position in the rapidly growing global ADC drug market, combined with our fully integrated one-stop service capabilities, will allow us to adopt a flexible and dynamic pricing strategy amid the evolving market trend and support our continued growth.

Cost Management in Connection with Our Projects

Our ability to manage costs will affect our overall profitability. Our cost of services was RMB88.3 million, RMB197.6 million, RMB729.3 million, RMB225.5 million and RMB764.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and our gross profit margin was 8.4%, 36.5%, 26.4%, 31.6% and 23.1% in the same periods, respectively.

Direct labor cost was a significant component of our cost of services during the Track Record Period. Our direct labor cost in connection with our projects include salaries, bonus, share-based compensation and social security costs for our employees deployed for such projects. We have adopted an employee share option plan for the primary purpose of rewarding and incentivizing our employees. Fluctuation in direct labor costs will affect our cost of services and our gross profit margin.

In addition, we have incurred cost of raw materials in connection with our projects. To manage our costs and improve our profit margins and, at the same time, ensure the cost-effective delivery of our services, we continually optimize our supply chain management by seeking alternative suppliers for key raw materials. During the Track Record Period, procurement of raw materials for us was conducted through the centralized procurement system of WXB Group, and we were able to benefit from the economies of scale associated with the magnitude of the global business of WXB Group. Going forward, as our business continues to scale up, we intend to independently procure and gradually benefit from our own economies of scale in procurement.

Due to surging demand for our services, we started outsourcing externally manufacturing of antibody intermediates in 2021, which significantly increased our indirect production cost and overhead. We are in the process of building up our own antibody intermediate manufacturing capacity and plan to gradually reduce the outsourcing of antibody intermediate manufacturing, which is expected to result in improved margin profile.

Expansions in Service Capabilities

To further grow our business, we have continued to expand our facilities and service capabilities. For instance, we entered into agreement to acquire Payload & Linker Business in July 2021 to enhance our discovery, research and development capabilities with respect to payload-linkers. We are also in the process of building additional manufacturing facilities in our Wuxi site to meet the surging demand. Additionally, we plan to construct a new manufacturing base in Singapore to meet the growing demand from customers worldwide for comprehensive bioconjugate CRDMO services and implement a "global dual sourcing" strategy. See "Business — Facilities — Our Facility Expansion Plans" for details. We have incurred significant capital investment from these expansions. Our future plan to expand our facilities and service capabilities will require further capital spending. See "Business — Our Strategies" and "Future Plans and [**REDACTED**]." Moreover, the ramp-up of production in our manufacturing facilities and the increase in service efficiency have resulted in greater economies of scale and had a positive impact on our gross profit margin during the Track Record Period. We expect to further benefit from the increasing utilization of our facilities.

Fluctuation in Foreign Exchange Rates

During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. We are thus subject to foreign exchange risk. For example, if the U.S. dollar appreciates against the Renminbi after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our cost of services as a percentage of our revenue attributable to such service contract or work order would decrease due to such appreciation, increasing both our gross profit and gross profit margin. Conversely, if the Renminbi appreciates against the U.S. dollar after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our gross profit and gross profit margin would be adversely affected. We have put in place foreign exchange risk control policies, such as the use of derivative financial instruments, to manage potential risks we may face during volatile fluctuations in foreign exchange rates.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We prepare our consolidated financial information in accordance with accounting policies which conform with IFRSs issued by the International Accounting Standards Board, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continually assess our assumptions and estimates going forward. We consider the policies and estimates discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment. For details of our significant accounting policies and estimates, see Note 5 in the Accountants' Report set out in Appendix I to this document.

Revenue

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (i) the customer simultaneously receives and consumes the benefits provided by our performance as we perform; (ii) our performance creates or enhances an asset that the customer controls as we perform; or (iii) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct service.

A contract asset represents our right to consideration in exchange for services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with Multiple Performance Obligations (Including Allocation of Transaction Price)

For contracts that contain more than one performance obligations (i.e., fee-for-service ("**FFS**")), contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), and we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which we would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, we estimate it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer.

Over Time Revenue Recognition: Measurement of Progress Towards Complete Satisfaction of a Performance Obligation

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, we measure its progress using either services transferred to the customer to date (output method) or cost-to-cost (input method).

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of our costs incurred to date to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation, that best depict our performance in transferring control of services.

As a practical expedient, if we have a right to consideration in an amount that corresponds directly with the value of our performance completed to date (for example, service contracts in which we bill a fixed amount for each hour of service provided), we recognize revenue in the amount to which we have the right to invoice.

Principal versus Agent

When another party is involved in providing goods or services to a customer, we determine whether the nature of our promise is a performance obligation to provide the specified goods or services itself (i.e. we are a principal) or to arrange for those goods or services to be provided by the other party (i.e. we are an agent). We are a principal if we control the specified good or service before that good or service is transferred to a customer. We are an agent if our performance obligation is to arrange for the provision of the specified good or service by another party. In this case, we do not control the specified good or service provided by another party before that good or service is transferred to the customer. When we act as an agent, we recognizes revenue in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than 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 the 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of our foreign operations are translated into our presentation currency (i.e., Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Research and Other Grants

Research and other grants are accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Research and other grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Research and other grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Research and other 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 us 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."

Equity-Settled Share-Based Payment

Share Options Granted to Employees

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

When the share options are exercised, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based compensation reserve will continue to be held in equity-settled share-based compensation reserve.

Modification to the Terms and Conditions of the Share-based Payment Arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, we recognize, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if we modify the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, we take the modified vesting conditions into consideration over the remaining vesting period. The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as of 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 reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, we continue to account for the original equity instruments granted as if that modification had not occurred.

Equity Instruments Granted by the then Ultimate Holding Company to Our Employees

The grant by the then ultimate holding company of equity instruments under its employee stock incentive plan to our employees (including directors of the Company) is treated as equity-settled share-based payments in the consolidated financial statements. An expense for the grant date fair value of the equity instruments under the employee stock incentive plan is recognized over the vesting period of the instruments, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into us and is included in equity-settled share-based compensation reserve.

Property, Plant and Equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by our management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Sales proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by our management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss. The costs of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of 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 the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant 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 property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Internally-generated Intangible Asset – 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: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) the ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) 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. If 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.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses 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.

RESULTS OF OPERATIONS

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

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)						(unaudited)			
Revenue	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0
Cost of services	(88,272)	(91.6)	(197,637)	(63.5)	(729,340)	(73.6)	(225,481)	(68.4)	(764,068)	(76.9)
Gross profit	8,081	8.4	113,494	36.5	261,083	26.4	103,955	31.6	229,400	23.1
Selling and marketing expenses	(478)	(0.5)	(2,028)	(0.7)	(8,769)	(0.9)	(4,152)	(1.3)	(5,823)	(0.6)
Administrative expenses	(9,608)	(10.0)	(27,858)	(9.0)	(49,210)	(5.0)	(15,248)	(4.6)	(42,739)	(4.3)
[**REDACTED**] expenses	—	—	—	—	—	—	—	—	(7,374)	(0.7)
Research and development expenses	(4,075)	(4.2)	(13,815)	(4.4)	(33,842)	(3.4)	(11,059)	(3.4)	(29,749)	(3.0)
Finance costs	—	—	(493)	(0.2)	(2,916)	(0.3)	(1,573)	(0.5)	(569)	(0.1)
Other income	41,446	43.0	8,966	2.9	26,152	2.6	18,812	5.7	39,579	4.0
Other gains and losses	(2,711)	(2.8)	(855)	(0.3)	46,672	4.7	25,679	7.8	4,461	0.4
Impairment losses (recognized)/ reversed, under expected credit loss model, net of reversal	(289)	(0.3)	(10,558)	(3.4)	(43,369)	(4.4)	2,976	0.9	24,382	2.5
Profit before tax	32,366	33.6	66,853	21.5	195,801	19.8	119,390	36.2	211,568	21.3
Income tax expense	(6,067)	(6.3)	(11,923)	(3.8)	(40,070)	(4.0)	(21,123)	(6.4)	(34,354)	(3.5)
Profit for the period	26,299	27.3	54,930	17.7	155,731	15.7	98,267	29.8	177,214	17.8
Other comprehensive income/(expense)										
Items that may be reclassified subsequently to profit or loss:										
Fair value gain/(loss) on cash flow hedges, net of income tax	1,668	1.7	499	0.2	(3,313)	(0.3)	(4,025)	(1.2)	1,146	0.1
Exchange gain arising on translation of foreign operations	—	—	—	—	—	—	—	—	4,635	0.5
Other comprehensive income/(expense) for the period	1,668	1.7	499	0.2	(3,313)	(0.3)	(4,025)	(1.2)	5,781	0.6
Total comprehensive income for the period	27,967	29.0	55,429	17.8	152,418	15.4	94,242	28.6	182,995	18.4
Non-IFRS Measures:										
Adjusted net profit (non-IFRS measure)(1)	32,775	34.0	77,087	24.8	194,357	19.6	108,862	33.0	216,368	21.8
EBITDA (non-IFRS measure)(2)	45,800	47.5	86,299	27.7	224,917	22.7	134,273	40.8	231,463	23.3
Adjusted EBITDA (non-IFRS measure)(3)	52,276	54.3	108,456	34.9	263,543	26.6	144,868	44.0	270,617	27.2

(1) Adjusted net profit is a non-IFRS measure. We defined "adjusted net profit (non-IFRS measure)" as net profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation. See "— Non-IFRS Measures."

(2) EBITDA is a non-IFRS measure. We defined "EBITDA (non-IFRS measure)" as net profit for the period adjusted by adding back depreciation and amortization, income tax expense and finance costs. See "— Non-IFRS Measures."

(3) Adjusted EBITDA is a non-IFRS measure. We defined "adjusted EBITDA (non-IFRS measure)" as EBITDA (non-IFRS measure) for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation. See "— Non-IFRS Measures."

NON-IFRS MEASURES

Our consolidated financial information was prepared in accordance with IFRSs. To supplement our consolidated results which are prepared and presented in accordance with IFRSs, we use adjusted net profit (non-IFRS measure), EBITDA (non-IFRS measure), and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that these measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items, such as certain non-cash items. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial condition as reported under IFRSs. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measure used by other companies.

We define adjusted net profit (non-IFRS measure) as net profit for the period, adjusted by adding non-cash items. [**REDACTED**] expenses are the expenses relating to the [**REDACTED**]. Share-based compensation is non-cash expenses arising from granting restricted share award and options to senior management and employees. The following table sets forth a reconciliation of our adjusted net profit (non-IFRS measure) for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 to the nearest measure prepared in accordance with IFRSs.

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
			(RMB in thousands)		
				(unaudited)	
Profit for the period	26,299	54,930	155,731	98,267	177,214
Add:					
[**REDACTED**] expenses	—	—	—	—	7,374
Share-based compensation	6,476	22,157	38,626	10,595	31,780
Adjusted net profit (non-IFRS measure)	32,775	77,087	194,357	108,862	216,368

We define EBITDA (non-IFRS measure) as net profit for the period, adjusted by adding back depreciation and amortization, income tax expenses and finance costs and subtracting interest income from banks) for the period. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure), adjusted by adding back [**REDACTED**] expenses and share-based compensation. The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 to the nearest measures prepared in accordance with IFRSs.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Profit for the period	26,299	54,930	155,731	98,267	177,214
Add:					
Income tax expense	6,067	11,923	40,070	21,123	34,354
Depreciation and amortization	13,465	18,981	30,812	13,872	22,750
Finance costs	—	493	2,916	1,573	569
Subtract:					
Interest income from banks	(31)	(28)	(4,612)	(562)	(3,424)
EBITDA (non-IFRS measure)	45,800	86,299	224,917	134,273	231,463
Add:					
[**REDACTED**] expenses	—	—	—	—	7,374
Share-based compensation	6,476	22,157	38,626	10,595	31,780
Adjusted EBITDA (non-IFRS measure)	52,276	108,456	263,543	144,868	270,617

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from our CRDMO services for ADCs and other bioconjugates.

Revenue by Project Development Stage

During the Track Record Period, we generated revenue from a mix of bioconjugate projects in various development stages, which can be broadly categorized into (i) revenue from pre-IND projects, primarily bioconjugate discovery projects at the drug discovery stage and preclinical development stage, and (ii) revenue from post-IND projects, primarily at clinical and commercial stage. The following table sets forth a breakdown of our revenue by development stages of projects, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Pre-IND services	53,122	55.1	152,506	49.0	381,071	38.5	99,267	30.1	371,273	37.4
Post-IND services	43,231	44.9	158,625	51.0	609,352	61.5	230,169	69.9	622,195	62.6
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

Revenue from post-IND services, as a percentage of our total revenue, increased during the Track Record Period, primarily due to the increase in the number of our post-IND projects which have relatively high contract value. As of June 30, 2023, we had 12 non-ADC integrated projects, accounting for 10.9% of the total number of our ongoing integrated projects as of the same date.

Revenue by Project Type

During the Track Record Period, we generated revenue from both ADC and non-ADC projects in terms of project types. The following table sets forth a breakdown of our revenue by project types, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						**Six months ended June 30,**			
	2020		**2021**		**2022**		**2022**		**2023**	
	RMB	**%**	**RMB**	**%**	**RMB**	**%**	**RMB**	**%**	**RMB**	**%**
	(RMB in thousands except for percentages)									
							(unaudited)			
ADC	91,706	95.2	276,178	88.8	914,965	92.4	290,859	88.3	938,074	94.4
Non-ADC	4,647	4.8	34,953	11.2	75,458	7.6	38,577	11.7	55,394	5.6
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

Revenue by Fee Model

During the Track Record Period, we provided CRDMO services on both FFS basis and FTE basis. The FFS model is our default fee model for a vast majority of our projects during the Track Record Period. Under the FFS model, a contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. A task is deemed to have been completed after all the steps within such task are completed. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment. We are typically required to deliver a technical laboratory report, product/samples and/or other deliverables and transfer the relevant research results and rights to the customer upon completion of each discovery, development or manufacturing step. A particular step is deemed to be completed upon the customer's acceptance of the deliverables in relation to such step, which indicates that the customer is satisfied with the services provided by us at such step and would like us to proceed to the next step of the project. We typically require our customers to make an upfront payment upon the commencement of each task and the remaining payment after we complete such task to the satisfaction of our customers. Revenue from the services rendered for a particular step is recognized only after we receive such acceptance from the customer. As a result, the corresponding service fee for each step is recorded as unbilled revenue upon the completion of such step until the entire task is completed, at which time we will bill the customer. Unbilled revenue is converted into a receivable at this time. A work order may also include pre-set milestones, particularly for projects which utilize our proprietary technologies such as WuXiDAR4. Milestone fee is recognized immediately upon the project reaching a pre-set milestone, which may or may not coincide with the completion of a specific step or task under the work order. During the Track Record Period, we recorded a small amount of milestone fee income. See "Business — Our Business Model — Our Fee Models — Fee-for-service Model" for details.

To a lesser extent, we also provided CRDMO services on an FTE basis during the Track Record Period. Under the FTE model, we assemble and assign a project team of employees dedicated to customers' project for a specific period of time and charge the customers at a fixed hourly or daily rate per employee. We typically require the customer to make monthly payments for services rendered and recognize revenue over the service period. See "Business — Our Business Model — Our Fee Models — Full-time-equivalent Model" for details.

The following table sets forth a breakdown of our revenue by fee model, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Services on FFS basis	96,353	100.0	311,131	100.0	974,421	98.4	324,513	98.5	980,144	98.7
Services on FTE basis	—	—	—	—	16,002	1.6	4,923	1.5	13,324	1.3
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

Revenue by Geographic Coverage

We have a broad, loyal and fast-growing customer base. During the Track Record Period, we generated revenue from ultimate customers primarily from North America, China and Europe. The following table sets forth a breakdown of our revenue based on the location of our customers' headquarters, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
North America	18,068	18.7	89,923	28.9	444,916	44.9	158,311	48.1	367,711	37.0
China	68,688	71.3	128,427	41.3	306,198	30.9	96,605	29.3	356,019	35.9
Europe	—	—	70,085	22.5	175,225	17.7	51,841	15.7	229,780	23.1
Others[(1)]	9,597	10.0	22,696	7.3	64,084	6.5	22,679	6.9	39,958	4.0
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

* Revenue by geographic coverage is presented based on the location of the ultimate customers. For legacy contracts that were contracted with Remaining WXB Group but were executed by us, we classify revenue based on the location of the customers' headquarters, rather than that of Remaining WXB Group.

(1) Includes primarily countries and regions in Asia (excluding China) and Australia.

Revenue from customers in North America, China and Europe increased significantly during the Track Record Period, as a result of the continual increase in customer demand for our CRDMO services globally and in these markets particularly, driven by the development of the global ADC market and our established industry position as a leading CRDMO service provider for ADC and other bioconjugates.

Cost of Services

Our cost of services consisted of indirect production cost and overheads, direct labor costs, cost of raw materials, and depreciation and amortization. Indirect production cost and overheads primarily represented costs incurred for the outsourcing of antibody intermediate manufacturing, as well as testing fees, utilities and maintenance expenses. Direct labor costs primarily consisted of salaries, bonus, social security expenses and share-based compensation for the employees in our laboratories and manufacturing facilities. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our share-based compensation as part of the cost of services amounted to RMB2.6 million, RMB14.4 million, RMB25.7 million, RMB9.7 million and RMB21.5 million, respectively. Cost of raw materials primarily consisted of costs incurred for the purchase of raw materials used in the provision of our services, such as laboratory supplies and antibody intermediates. Depreciation and amortization consisted of depreciation relating to the facilities and equipment and amortization relating to the intangible assets and software used in the provision of our services. During the Track Record Period, our cost of services was RMB88.3 million, RMB197.6 million, RMB729.3 million, RMB225.5 million and RMB764.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, primarily driven by our revenue growth. The following table sets forth a breakdown of our cost of services by nature, both in absolute amount and as a percentage of total cost of services, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Indirect production cost and overheads	5,760	6.5	42,746	21.7	460,457	63.1	91,759	40.7	560,954	73.4
Direct labor cost	45,237	51.3	82,019	41.5	150,775	20.7	65,503	29.1	109,213	14.2
Cost of raw materials	25,797	29.2	60,340	30.5	97,522	13.4	59,092	26.2	78,560	10.4
Depreciation and amortization	11,478	13.0	12,532	6.3	20,586	2.8	9,127	4.0	15,341	2.0
Total	88,272	100.0	197,637	100.0	729,340	100.0	225,481	100.0	764,068	100.0

Gross Profit and Gross Profit Margin

Our gross profit was RMB8.1 million, RMB113.5 million, RMB261.1 million, RMB104.0 million and RMB229.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing a gross profit margin of 8.4%, 36.5%, 26.4%, 31.6% and 23.1% for the same periods, respectively. Our gross profit margin fluctuated during the Track Record Period. Although we operated within the WXB Group's BCD business unit as early as 2013, we started to build up our manufacturing facilities in 2018. Our early investment in talent recruitment and facility construction of our Wuxi site starting in 2018 in an effort to ramp up our operation incurred significant direct labor cost and depreciation and amortization charges, which resulted in the relatively low gross profit margin of 8.4% in 2020. The growth in our business scale, the ramp-up of production, and the increase in service efficiency in our manufacturing facilities in 2021 resulted in greater economies of scale and an increase in our gross profit margin since 2021, and a percentile increase in outsourcing cost with respect to the manufacture of antibody intermediates lowered our gross profit margin in 2022 and the six months ended June 30, 2023.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) depreciation and amortization, representing primarily amortization of the customer relationship asset acquired in relation to our acquisition of the Payload & Linker Business, and (ii) labor cost, representing primarily salaries, bonus, social security cost and other employee benefits and share-based compensation for our sales and marketing personnel. We incurred selling and marketing expenses of RMB0.5 million, RMB2.0 million, RMB8.8 million, RMB4.2 million and RMB5.8 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 0.5%, 0.7%, 0.9%, 1.3% and 0.6% of our total revenue for the same periods, respectively. We have inherited the strong brand recognition of our parent company, WuXi Biologics, which enables us to enhance our sales and marketing efficiency. The following table sets forth a breakdown of our selling and marketing expenses, both in absolute amount and as a percentage of total selling and marketing expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Depreciation and amortization	—	—	1,550	76.4	6,202	70.7	3,101	74.7	3,102	53.3
Labor cost	478	100.0	478	23.6	2,410	27.5	1,051	25.3	2,549	43.7
Others	—	—	—	—	157	1.8	—	—	172	3.0
Total selling and marketing expenses	478	100.0	2,028	100.0	8,769	100.0	4,152	100.0	5,823	100.0

Administrative Expenses

Our administrative expenses primarily consisted of (i) labor cost, representing primarily salaries, bonus, social security cost and other employee benefits and share-based compensation for our administrative personnel, (ii) expenses incurred by us in connection with our provision of rental and related services, (iii) logistics and accommodation expenses, representing intra-site transportation expenses and accommodation expenses incurred by our administrative personnel, (iv) depreciation and amortization, representing primarily the depreciation of our equipment and facilities used by our administrative department, (v) professional service fees, representing primarily audit and legal service fees incurred during our ordinary course of business, and (vi) other administrative expenses primarily maintenance expense and utilities. We incurred administrative expenses of RMB9.6 million, RMB27.9 million, RMB49.2 million, RMB15.2 million and RMB42.7 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 10.0%, 9.0%, 5.0%, 4.6% and 4.3% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as a percentage of total administrative expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Labor cost	4,434	46.1	12,191	43.8	30,100	61.2	7,924	52.0	29,970	70.2
Expenses related to provision of rental and other related services	912	9.5	7,362	26.4	6,349	12.9	2,945	19.3	5,275	12.3
Logistics and accommodation expenses	800	8.3	1,036	3.7	4,456	9.1	1,644	10.8	2,189	5.1
Depreciation and amortization	1,987	20.7	3,432	12.3	1,745	3.5	667	4.4	1,824	4.3
Professional service fees	135	1.4	1,845	6.6	2,442	5.0	950	6.2	950	2.2
Others[1]	1,340	14.0	1,992	7.2	4,118	8.3	1,118	7.3	2,531	5.9
Total administrative expenses	9,608	100.0	27,858	100.0	49,210	100.0	15,248	100.0	42,739	100.0

(1) Includes primarily maintenance expenses and utilities.

Our administrative expenses increased significantly during the Track Record Period, primarily due to the headcount increase in our administrative staff and the recruitment of senior management, resulting in an increase in labor cost. In particular, our professional service fees increased during the Track Record Period, primarily driven by the increase in our demand for professional audit and legal services to support our operational growth. Our logistics and accommodation expenses increased during 2020 and 2022, primarily due to the increase in our administrative personnel, and remained relatively stable at RMB1.6 million and RMB2.2 million in the six months ended June 30, 2022 and 2023, respectively.

[**REDACTED**] Expenses

We incurred [**REDACTED**] expenses of RMB7.4 million in the six months ended June 30, 2023, representing costs and expenses incurred in connection with the [**REDACTED**].

Research and Development Expenses

Our research and development activities during the Track Record Period primarily related to development of our technology platform, including conjugation technologies, library of payload-linkers, as well as process development know-how and analytical methods, among others. Our research and development expenses primarily consisted of (i) labor cost, representing primarily salaries, bonus, social security cost and other employee benefits for our R&D staff, (ii) cost of materials, representing supplies and raw materials used in our R&D activities, and (iii) depreciation and amortization, representing the depreciation of our equipment and facilities used by our R&D department and the amortization of the intangible assets used in our R&D activities. We incurred research and development expenses of RMB4.1 million, RMB13.8 million, RMB33.8 million, RMB11.1 million and RMB29.7 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 4.2%, 4.4%, 3.4%, 3.4% and 3.0% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our research and development expenses, both in absolute amount and as a percentage of total research and development expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Labor cost	2,695	66.1	8,471	61.3	16,786	49.6	6,442	58.3	14,014	47.2
Cost of materials	1,380	33.9	3,877	28.1	14,777	43.7	3,640	32.9	13,252	44.5
Depreciation and amortization	—	—	1,467	10.6	2,279	6.7	977	8.8	2,483	8.3
Total research and development expenses	4,075	100.0	13,815	100.0	33,842	100.0	11,059	100.0	29,749	100.0

Finance Costs

Finance costs consisted of interest expense arising from intercompany borrowings between us and Remaining WXB Group and lease liabilities. We incurred finance costs of nil, RMB0.5 million, RMB2.9 million, RMB1.6 million and RMB0.6 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. As of the Latest Practicable Date, all intercompany borrowings between us and the Remaining WXB Group had been settled in full.

Other Income

Our other income primarily consisted of (i) rental income and other related income, arising from the lease of our assembly center to the Remaining WXB Group, (ii) sales of materials to related parties, primarily related to intercompany transfer of materials to the Remaining WXB Group, (iii) interest income from banks, and (iv) research and other grants related to income, which primarily related to awards recognizing our contribution to the high-tech industry and economy. We recorded other income of

RMB41.4 million, RMB9.0 million, RMB26.2 million, RMB18.8 million and RMB39.6 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our other income, both in absolute amount and as a percentage of total other income, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Rental and other related income	1,525	3.7	7,596	84.7	3,831	14.7	1,614	8.6	1,122	2.8
Sales of materials to related parties	246	0.6	445	5.0	1,930	7.4	1,313	7.0	3,730	9.4
Interest income from banks	31	0.1	28	0.3	4,612	17.6	562	3.0	3,424	8.7
Research and other grants related to income	39,644	95.6	897	10.0	15,779	60.3	15,323	81.4	31,303	79.1
Total	41,446	100.0	8,966	100.0	26,152	100.0	18,812	100.0	39,579	100.0

Other Gains and Losses

Our other gains and losses primarily included fair value gain on wealth management products and net foreign exchange gain and loss. We recorded other losses of RMB2.7 million and RMB0.9 million in 2020 and 2021, respectively. We recorded other gains of RMB46.7 million, RMB25.7 million and RMB4.5 million in 2022 and the six months ended June 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our other gains and losses, both in absolute amount and as a percentage of total other gains and losses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Net foreign exchange (loss)/gain	(2,711)	(100.0)	(986)	(115.3)	46,284	99.2	25,455	99.1	(1,407)	(31.5)
Fair value gain on-wealth management products	—	—	—	—	—	—	—	—	5,543	124.2
Others	—	—	131	15.3	388	0.8	224	0.9	325	7.3
Total	(2,711)	(100.0)	(855)	(100.0)	46,672	100.0	25,679	100.0	4,461	100.0

Impairment Losses (Recognized)/Reversed, under ECL Model, Net of Reversal

Our impairment losses (recognized)/reversed, under expected credit loss ("**ECL**") model, net of reversal, primarily consisted of credit loss on our trade receivables. We recognized impairment losses, net of reversal, of RMB0.3 million, RMB10.6 million and RMB43.4 million in 2020, 2021, 2022, respectively. We reversed impairment losses of RMB3.0 million and RMB24.4 million in the six months ended June 30, 2022 and 2023, respectively.

Income Tax Expense

Our income tax expense primarily consisted of the current tax at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our income tax expense was RMB6.1 million, RMB11.9 million, RMB40.1 million, RMB21.1 million and RMB34.4 million, respectively.

During the Track Record Period, our income tax expense primarily consisted of income tax payable by our subsidiaries in the PRC and Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute or unresolved with the relevant tax authorities.

PRC Enterprise Income Tax

Pursuant to the EIT Law and related regulations, enterprises which operate in China are generally subject to enterprise income tax at a rate of 25% on the taxable profit. Enterprises recognized as a "high and new technology enterprise" ("**HNTE**") are entitled to a preferential tax rate of 15% for three years as long as the HNTE status is valid, and qualifying entities may re-apply for an additional three years provided that their business operations continue to qualify for the HNTE status. XDC Wuxi was recognized as an HNTE in December 2020. As a result, XDC Wuxi was entitled to the preferential tax rate of 15% in 2020, 2021, 2022 and the six months ended June 30, 2023. In addition, certain of our operating subsidiaries in the PRC qualified as "micro and small enterprises" and were entitled preferential tax treatment. For risks relating to our preferential tax treatments, see "Risk Factors — Risks Relating to Our Business and Industry — The discontinuation of any of research and other grants or preferential tax treatment currently available to us could adversely affect our financial position, results of operations, cash flows and prospects."

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit.

Effective Tax Rate

Our effective tax rate, representing income tax expense divided by profit before taxation, was 18.7%, 17.8%, 20.5%, 17.7% and 16.2% in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. Our effective tax rate in 2020, 2021, 2022 and the six months ended in June 30, 2022 and 2023 was relatively stable and below the 25% statutory rate, primarily due to the preferential tax treatment enjoyed by XDC Wuxi.

Profit for the Period

We recorded net profit of RMB26.3 million, RMB54.9 million, RMB155.7 million, RMB98.3 million and RMB177.2 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The significant growth of our net profit during the Track Record Period was generally in line with our revenue and business growth. Our net profit margin decreased from 27.3% in 2020 to 17.7% in 2021, primarily due to the decrease of RMB38.7 million in research and other grants related to income awarded to us in 2021. Our net profit margin slightly decreased to 15.7% in 2022, primarily due to the outsourcing of antibody intermediate manufacturing. Our net profit margin decreased from 29.8% in the six months ended June 30, 2022 to 17.8% in the six months ended June 30, 2023, primarily due to the increase in our indirect production cost and overheads incurred for the outsourcing of antibody intermediate manufacturing.

Adjusted Profit for the Period (Non-IFRS Measure)

We recorded adjusted net profit (non-IFRS measure) of RMB32.8 million, RMB77.1 million, RMB194.4 million, RMB108.9 million and RMB216.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and adjusted net profit margin (non-IFRS measure) of 34.0%, 24.8%, 19.6%, 33.0% and 21.8% in the same periods, respectively. The fluctuation in our adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) were generally consistent with that of our net profit and net profit margin, respectively. We had an accumulated loss of RMB9.0 million at the beginning of 2020, which was primarily attributable to the fixed cost incurred prior to 2020 as we ramped up our operations and production capacity. In particular, we incurred significant cost as we constructed our production facilities, such as our DP3 facility, and commenced GMP manufacturing since August 2019. As we improved the utilization rate of our production facilities, expanded our service capabilities, and continued to grow our business by attracting more customers and introducing more projects, we were able to significantly improve our profitability.

Other Comprehensive Income/(Expense)

Our other comprehensive income primarily consisted of fair value gain or loss on cash flow hedges, net of income tax, representing gain or loss in relation to our foreign exchange forward contracts, and exchange gain arising from translation of foreign operations. We recorded total other comprehensive income of RMB1.7 million, RMB0.5 million, and RMB5.8 million in 2020, 2021 and the six months ended June 30, 2023, respectively. We recorded other comprehensive expense of RMB3.3 million and RMB4.0 million in 2022 and the six months ended June 30, 2022, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Our revenue increased significantly from RMB329.4 million in the six months ended June 30, 2022 to RMB993.5 million in the six months ended June 30, 2023. Such increases were primarily due to the following:

(i) the growth in the number of our customers and projects, driven by the fast growth of the global ADC outsourcing service market and our established industry position as a leading CRDMO service provider for ADC and other bioconjugates; and

(ii) the advancement of our projects into later stages. Such movement can be evidenced by the fact that 15 of our existing projects had progressed into next stages in the six months ended June 30, 2023.

As our projects continue to progress and move into later stages and typically yield greater contract values, the average revenue contribution per project tends to increase, which further accelerated our revenue growth during the Track Record Period. The average revenue contribution of our largest projects (in terms of revenue contribution) that collectively contributed to 80% of our revenue in a given period increased from RMB4.5 million in 2020 to RMB8.9 million in 2021, and further to RMB15.0 million in 2022. The number of such largest projects increased from 17 in 2020 to 28 in 2021 and further to 53 in 2022. In the six months ended June 30, 2023, the largest 69 projects collectively contributed to 80% of our revenue for the period, and the average revenue contribution of the 69 projects amounted to RMB11.5 million, as compared to 63 projects and RMB4.2 million per project for the six months ended June 30, 2022.

Cost of Services

Our cost of services increased significantly from RMB225.5 million in the six months ended June 30, 2022 to RMB764.1 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB469.2 million in indirect production cost and overheads as a result of the increase in the outsourcing of antibody intermediate manufacturing, (ii) an increase of RMB43.7 million in direct labor cost, as a result of the increases in the headcount of and our average compensation level for employees in our laboratories and manufacturing facilities, and (iii) an increase of RMB19.5 million in cost of raw materials, as a result of the increase in our material procurement driven by our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB104.0 million in the six months ended June 30, 2022 to RMB229.4 million in the six months ended June 30, 2023. Our gross profit margin decreased from 31.6% in the six months ended June 30, 2022 to 23.1% in the six months ended June 30, 2023. During the six months ended June 30, 2023, our customer demands continued to increase and more projects progressed into post-IND clinical stage, which resulted in increasing demands for antibody intermediate manufacturing services. As we did not have manufacturing facility for antibody intermediates, after we started to operate as a separate entity in the second half of 2021, we have outsourced certain antibody intermediate manufacturing to the Remaining WXB Group and recorded such outsourcing expenses as indirect production costs in our cost of services. Prior to that, we operated within the WXB Group's BCD business unit and were principally involved in the provision of bioconjugation services only in 2020 and 2021. After our operating as a separate entity from the WXB Group, we acquired the Payload & Linker Business from STA Changzhou, which enabled us to further expand our service capabilities. After the acquisition, we have been primarily engaged in the provision of one-stop and fully integrated CRDMO services for bioconjugate drugs, which expand from our initial bioconjugation services. The expanded service scope led to a rise in labor cost and other production costs and overheads in connection with the provision of the integrated CRDMO services. The increased outsourcing of antibody intermediate manufacturing and the expansion in service scope to provide integrated CRDMO services resulted in an increase in direct labor cost and indirect production cost and overheads and therefore a negative impact on our gross profit margin. The decrease in the gross profit margin was partially offset by the continual increase in our operating leverage from greater economies of scale as we continue to ramp up our operations.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 40.2% from RMB4.2 million in the six months ended June 30, 2022 to RMB5.8 million in the six months ended June 30, 2023, primarily representing an increase of RMB1.5 million in labor cost for our selling and marketing personnel, as a result of the increase in the headcount of our selling and marketing personnel.

Administrative Expenses

Our administrative expenses increased significantly from RMB15.2 million in the six months ended June 30, 2022 to RMB42.7 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB22.0 million in labor cost, as a result of the increases in the headcount of and average compensation level for our administrative personnel and management, and (ii) an increase of RMB2.3 million in expenses incurred in connection with our provision of rental and related services.

[**REDACTED**] ***Expenses***

Our [**REDACTED**] expenses increased from nil in the six months ended June 30, 2022 to RMB7.4 million in the six months ended June 30, 2023, primarily due to costs and expenses incurred in connection with the [**REDACTED**].

Research and Development Expenses

Our research and development expenses increased significantly from RMB11.1 million in the six months ended June 30, 2022 to RMB29.7 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB9.6 million in cost of materials, as a result of the increase in material procurement for our R&D activities, driven by our business growth, and (ii) an increase of RMB7.6 million in labor cost.

Finance Costs

Our finance costs decreased by 63.8% from RMB1.6 million in the six months ended June 30, 2022 to RMB0.6 million in the six months ended June 30, 2023, primarily due to the repayment of our intercompany borrowings.

Other Income

Our other income increased significantly from RMB18.8 million in the six months ended June 30, 2022 to RMB39.6 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB16.0 million in research and other grants related to income, as we received from local authorities of Wuxi City in relation to our expanded operating scale of RMB28.5 million in the six months ended June 30, 2023 pursuant to local government initiative to support the business development of key industries, and (ii) an increase of RMB2.9 million in interest income from banks, primarily attributable to the increase in bank deposits due to our revenue growth.

Other Gains and Losses

Our other gains decreased by 82.6% from RMB25.7 million in the six months ended June 30, 2022 to RMB4.5 million in the six months ended June 30, 2023, primarily due to our net foreign exchange loss of RMB1.4 million in the six months ended June 30, 2023, as compared to our net foreign exchange gain of RMB25.5 million in the six months ended June 30, 2022, primarily due to fluctuations in the exchange rate between U.S. dollar and Renminbi in the six months ended June 30, 2023 as we settled with overseas customers in U.S. dollars, partially offset by an increase on the fair value gain on wealth management products of RMB5.5 million.

Impairment Losses (Recognized)/Reversed, under ECL Model, Net of Reversal

Our impairment losses reversed, under ECL model, net of reversal, increased significantly from RMB3.0 million in the six months ended June 30, 2022 to RMB24.4 million in the six months ended June 30, 2023, primarily due to the subsequent repayment of trade receivables by certain customers.

Income Tax Expense

Our income tax expense increased by 62.6% from RMB21.1 million in the six months ended June 30, 2022 to RMB34.4 million in the six months ended June 30, 2023, generally in line with our revenue growth.

Profit for the Period

As a result of the above, our net profit increased by 80.3% from RMB98.3 million in the six months ended June 30, 2022 to RMB177.2 million in the six months ended June 30, 2023. Our net profit margin decreased from 29.8% in the six months ended June 30, 2022 to 17.8% in the six months ended June 30, 2023.

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

Revenue

Our revenue increased significantly from RMB311.1 million in 2021 to RMB990.4 million in 2022. Such increases were primarily due to the following:

(i) the growth in the number of customers and projects, driven by the fast growth of the global ADC outsourcing service market and our further integrated service capabilities after acquiring Payload & Linker Business. We have further established our leading industry position by increasing our global market share by revenue from 4.6% in 2021 to 9.8% in 2022, while the global ADC outsourcing services market grew by over 30% in value from US$1.1 billion in 2021 to US$1.5 billion in 2022. The number of customers served by us increased from 115 in 2021 to 167 in 2022, and the number of our ongoing integrated projects increased from 60 as of December 31, 2021 to 94 as of December 31, 2022; and

(ii) the increase in the average revenue contribution per project with more projects advancing to later stages. In 2022, the largest 53 projects (in terms of revenue contribution) collectively contributed to 80% of our revenue for the period, and the average revenue contribution of the largest 53 projects amounted to RMB15.0 million, as compared to 28 projects and RMB8.9 million per project for 2021. See "— Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022."

Cost of Services

Our cost of services increased significantly from RMB197.6 million in 2021 to RMB729.3 million in 2022, primarily due to (i) an increase of RMB417.7 million in indirect production cost and overheads as a result of the increase in the outsourcing of antibody intermediate manufacturing, (ii) an increase of RMB68.8 million in direct labor cost, as a result of the increases in the headcount of and the average compensation level for employees in our laboratories and manufacturing facilities, and (iii) an increase of RMB37.2 million in cost of raw materials, as a result of the increase in our material procurement, in line with our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB113.5 million in 2021 to RMB261.1 million in 2022. Our gross profit margin decreased from 36.5% in 2021 to 26.4% in 2022. During 2022, our customer demands continued to increase and more projects progressed into post-IND clinical stage, which resulted in increasing demands for antibody intermediate manufacturing services. As we started to contract with end customers directly and provided integrated CRDMO services upon the establishment of the joint venture in late 2021, the amounts of the outsourcing of antibody intermediate manufacturing services increased given we did not have manufacturing facility for antibody intermediates, and after we started to operate as a separate entity in the second half of 2021, we have outsourced certain antibody intermediate manufacturing to the Remaining WXB Group and recorded such outsourcing expenses as indirect production costs in our cost of services. Prior to that, we operated within the WXB Group's BCD business unit and were principally involved in the provision of bioconjugation services only in 2020 and 2021. After our operating as a separate entity from the WXB Group, we acquired the Payload & Linker Business from STA Changzhou, which enabled us to further expand our service capabilities. After the acquisition, we have been primarily engaged in the provision of one-stop and fully integrated CRDMO services for bioconjugate drugs, which expand from our initial bioconjugation services. The expanded service scope led to a rise in labor cost and other production costs and overheads in connection with the provision of the integrated CRDMO services. The increased outsourcing of antibody intermediate manufacturing and the expansion in service scope to provide integrated CRDMO services resulted in an increase in direct labor cost and indirect production cost and overheads and therefore a negative impact on our gross profit margin.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB2.0 million in 2021 to RMB8.8 million in 2022, primarily due to (i) an increase of RMB4.6 million from RMB1.6 million to RMB 6.2 million in depreciation and amortization, representing the amortization of customer relationship asset acquired in relation to our acquisition of the Payload & Linker Business, and (ii) an increase in labor cost.

Administrative Expenses

Our administrative expenses increased by 76.6% from RMB27.9 million in 2021 to RMB49.2 million in 2022, primarily due to (i) an increase of RMB17.9 million from RMB12.2 million to RMB30.1 million in labor cost, as a result of the increases in the headcount of and the average compensation level for our administrative personnel, and (ii) an increase of RMB3.4 million from RMB1.0 million to RMB4.5 million in logistics and accommodation expenses, which was primarily due to the increase in the number of administrative employees.

Research and Development Expenses

Our research and development expenses increased significantly from RMB13.8 million in 2021 to RMB33.8 million in 2022, primarily due to (i) an increase of RMB10.9 million from RMB3.9 million to RMB14.8 million in cost of materials as a result of the increase in material procurement for our R&D activities, driven by our business growth, and (ii) an increase of RMB8.3 million from RMB8.5 million to RMB16.8 million in labor cost as a result of the increases in the headcount of and the average compensation level for our R&D personnel.

Finance Costs

Our finance costs increased significantly from RMB0.5 million in 2021 to RMB2.9 million in 2022, primarily due to an increase of RMB2.2 million in interest expense arising from intercompany borrowings from the Remaining WXB Group to us.

Other Income

Our other income increased significantly from RMB9.0 million in 2021 to RMB26.2 million in 2022, primarily due to (i) an increase of RMB14.9 million in research and other grants related to income, as we received award from local authorities of Wuxi City in relation to our expanded operating scale of RMB15.8 million in 2022 pursuant to local government initiative to support the business development of key industries, and (ii) an increase of RMB4.6 million in interest income from banks, as a result of an increase in our demand deposits in relation to the capital injection by our shareholders.

Other Gains and Losses

We recorded other gains of RMB46.7 million in 2022, as compared to other losses of RMB0.9 million in 2021, primarily due to our net foreign exchange gain of RMB46.3 million in 2022, as a result of the depreciation of the Renminbi against the U.S. dollar in 2022.

Impairment Losses (Recognized)/Reversed, under ECL Model, Net of Reversal

Our impairment losses recognized, under ECL loss model, net of reversal, increased significantly from RMB10.6 million in 2021 to RMB43.4 million in 2022, generally consistent with our business growth.

Income Tax Expense

Our income tax expense increased significantly from RMB11.9 million in 2021 to RMB40.1 million in 2022, primarily due to the increase in our taxable income, generally in line with our revenue growth.

Profit for the Year

As a result of the above, our net profit increased significantly from RMB54.9 million in 2021 to RMB155.7 million in 2022. Our net profit margin decreased from 17.7% in 2021 to 15.7% in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased significantly from RMB96.4 million in 2020 to RMB311.1 million in 2021 primarily due to the increase in customer demand for our CRDMO services as shown by an increase of customers served by us from 49 in 2020 to 115 in 2021, driven by (i) our continued expansion of service capabilities and ability to provide integrated CRDMO services, including the acquisition of the Payload & Linker Business, (ii) the expansion of our geographical footprint, as evidenced by the increase in our revenue generated from ultimate customers in North America and our tapping into the European market, and (iii) the increase in our global market share from 1.8% to 4.6%, combined with the fast growth of the global ADC outsourcing service market, which grew by over 30% in value from US$0.8 billion in 2020 to US$1.1 billion in 2021. The increase in our average revenue contribution per project also further accelerated our revenue growth. In 2021, the largest 28 projects (in terms of revenue contribution) collectively contributed to 80% of our revenue for the period, and the average revenue contribution of the largest 28 projects amounted to RMB8.9 million, as compared to 17 projects and RMB4.5 million per project for 2020. See "— Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022."

Cost of Services

Our cost of services increased significantly from RMB88.3 million in 2020 to RMB197.6 million in 2021, primarily due to (i) an increase of RMB37.0 million in indirect production cost and overheads as a result of the increase in the outsourcing of antibody intermediate manufacturing, (ii) an increase of RMB36.8 million in direct labor cost, as a result of the increases in the headcount of and the average compensation level for the employees in our laboratories and manufacturing facilities, and (iii) an increase of RMB34.5 million in cost of raw materials, as a result of the increase in our material procurement, in line with our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB8.1 million in 2020 to RMB113.5 million in 2021. Our gross profit margin increased from 8.4% in 2020 to 36.5% in 2021, primarily due to the ramp-up of production in our manufacturing facilities and the increase in service efficiency which resulted in greater economies of scale.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB0.5 million in 2020 to RMB2.0 million in 2021, representing the amortization of customer relationship asset acquired as a result of our acquisition of the Payload & Linker Business.

Administrative Expenses

Our administrative expenses increased significantly from RMB9.6 million in 2020 to RMB27.9 million in 2021, primarily due to (i) an increase of RMB7.8 million from RMB4.4 million to RMB12.2 million in labor cost, as a result of the increases in the headcount of and the average compensation level for our administrative personnel, (ii) an increase of RMB6.5 million from RMB0.9 million to RMB7.4 million in expenses incurred in connection with our provision of rental and related services, increase maintenance and utilities expenses in connection with the rental services, and (iii) an increase of RMB1.7 million in professional service fees as a result of the increase in our demand for professional audit and legal services.

Research and Development Expenses

Our research and development expenses increased significantly from RMB4.1 million in 2020 to RMB13.8 million in 2021, primarily due to (i) an increase of RMB5.8 million from RMB2.7 million to RMB8.5 million in labor cost, as a result of the increases in the headcount of and the average compensation level for our R&D personnel, and (ii) an increase of RMB2.5 million from RMB1.4 million to RMB3.9 million in cost of materials as a result of the increase in material procurement for our R&D activities, driven by our business growth.

Finance Costs

Our finance costs increased significantly from nil in 2020 to RMB0.5 million in 2021, primarily representing interest expense on intercompany borrowings from Remaining WXB Group to us.

Other Income

Our other income decreased by 78.4% from RMB41.4 million in 2020 to RMB9.0 million in 2021, primarily due to the decrease of RMB38.7 million in research and other grants related to income, as we received a one-off operating subsidy provided by local authorities of RMB39.6 million in 2020.

Other Gains and Losses

Our other losses decreased by 68.5% from RMB2.7 million in 2020 to RMB0.9 million in 2021, primarily due to a decrease of RMB1.7 million in net foreign exchange loss, as a result of the appreciation of the Renminbi against the U.S. dollar since June 2020.

Impairment Losses (Recognized)/Reversed, under ECL, Net of Reversal

Our impairment losses recognized, under ECL, net of reversal, increased significantly from RMB0.3 million in 2020 to RMB10.6 million in 2021, primarily due to the increase in credit loss of our trade receivables as a result of impaired recoverability of trade receivables in relation to certain small-sized biotechnology companies.

Income Tax Expense

Our income tax expense increased by 96.5% from RMB6.1 million in 2020 to RMB11.9 million in 2021, primarily due to the increase in our taxable income, generally in line with our revenue growth.

Profit for the Year

As a result of the above, our net profit increased significantly from RMB26.3 million in 2020 to RMB54.9 million in 2021. Our net profit margin decreased from 27.3% in 2020 to 17.7% in 2021.

DISCUSSION OF MAJOR BALANCE SHEET ITEMS

The following table sets forth details of our summary combined statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	303,205	335,684	798,575	987,555
Investment property	—	13,215	12,812	12,610
Right-of-use asset	—	2,223	5,280	4,529
Goodwill	—	215,193	215,193	215,193
Intangible assets	4,808	60,990	50,648	57,047
Deferred tax assets	387	1,995	11,540	8,557
Other long-term deposits and prepayments	150	150	—	368
Total non-current assets	308,550	629,450	1,094,048	1,285,859
Current assets				
Inventories	7,678	23,786	62,934	47,403
Trade and other receivables	44,060	150,236	505,604	757,245
Contract assets	1,028	10,717	17,309	24,665
Contract costs	13,875	36,690	80,713	63,134
Tax recoverable	2,663	—	—	—
Derivative financial assets	2,224	2,549	799	—
Financial assets at FVTPL	—	—	400,000	—
Bank balances and cash	28,390	26,325	334,972	561,644
Total current assets	99,918	250,303	1,402,331	1,454,091
Total assets	408,468	879,753	2,496,379	2,739,950

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Current liabilities				
Trade and other payables	32,080	818,653	773,313	773,149
Loans from related parties	—	22,343	71,144	—
Contract liabilities	151	10,020	151,450	232,418
Income tax payable	—	5,225	11,506	30,457
Lease liabilities	—	2,249	4,413	2,828
Derivative financial liabilities	—	—	2,147	—
Total current liabilities	32,231	858,490	1,013,973	1,038,852
Net current assets/(liabilities)	67,687	(608,187)	388,358	415,239
Total assets less current liabilities	376,237	21,263	1,482,406	1,701,098
Non-current liabilities				
Deferred tax liabilities	556	382	—	—
Lease liabilities	—	—	1,627	2,477
Total non-current liabilities	556	382	1,627	2,477
Total liabilities	32,787	858,872	1,015,600	1,041,329
Net assets	375,681	20,881	1,480,779	1,698,621
Capital and reserve				
Share capital	—	—	319	319
Reserves	375,681	20,881	1,480,460	1,698,302
	375,681	20,881	1,480,779	1,698,621

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of machinery, furniture, fixtures and equipment, land and buildings, leasehold improvements and construction in progress. We had property, plant and equipment of RMB303.2 million, RMB335.7 million, RMB798.6 million and RMB987.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The following table sets forth the components of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Machinery	62,540	75,679	139,697	175,595
Furniture, fixtures and equipment	5,459	6,552	18,339	22,039
Land and buildings	112,092	95,583	92,667	192,684
Leasehold improvements	89,246	89,977	119,672	179,070
Construction in progress	33,868	67,893	428,200	418,167
Total	303,205	335,684	798,575	987,555

Our property, plant and equipment increased by 10.7% from RMB303.2 million as of December 31, 2020 to RMB335.7 million as of December 31, 2021, primarily due to (i) an increase of RMB34.0 million in construction in progress, (ii) an increase of RMB13.1 million in machinery as a result of the procurement of manufacturing equipment and process equipment, and (iii) an increase of RMB1.1 million in furniture, fixtures and equipment, all in connection with the expansion of our Wuxi site.

Our property, plant and equipment increased significantly from RMB335.7 million as of December 31, 2021 to RMB798.6 million as of December 31, 2022, primarily due to (i) an increase of RMB360.3 million in construction in progress in relation to the expansion of our Wuxi site, (ii) an increase of RMB64.0 million in machinery as a result of the procurement of equipment for quality control and R&D laboratories on Wuxi site and the reclassification of relevant items from construction in progress, (iii) an increase of RMB29.7 million in leasehold improvements in relation to renovations on leased properties on Wuxi site, and (iv) an increase of RMB11.8 million in furniture, fixtures and equipment as a result of the addition of utility facilities as a result of the expansion of our Wuxi site and the reclassification of relevant items from construction in progress, partially offset by a decrease of RMB2.9 million in land and buildings as a result of depreciation.

Our property, plant and equipment increased by 23.7% from RMB798.6 million as of December 31, 2022 to RMB987.6 million as of June 30, 2023, primarily due to (i) an increase of RMB100.0 million in land and buildings, as a result of the expansion of our Wuxi site and the addition of our properties in Shanghai, (ii) an increase of RMB59.4 million in leasehold improvements, and (iii) an increase of RMB35.9 million in machinery, both in connection with the expansion of our Wuxi site, partially offset by a decrease of RMB10.0 million in construction in progress, as a result of the reclassification of construction in progress into other categories of property, plant and equipment, after completion of the relevant construction projects.

Investment Property

We recorded investment property of nil, RMB13.2 million, RMB12.8 million and RMB12.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023. We leased out an assembly center under operating leases to the Remaining WXB Group, which had an initial term of four years and will expire in 2025.

Goodwill

We recorded goodwill of nil, RMB215.2 million, RMB215.2 million and RMB215.2 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, in relation to our acquisition of Payload & Linker Business in 2021.

For the purposes of impairment testing, the acquired Payload & Linker Business is allocated as an individual cash-generating unit (the "**Payload & Linker Unit**"). The recoverable amount of the Payload & Linker Unit has been determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by our management covering a five-year period. The following table sets out the key assumptions for the value in use calculation of the Payload & Linker Unit.

	As at December 31,	
	2021	2022
	RMB'000	RMB'000
Pre-tax discount rate(1)	16%	17%
Expected annual growth rate in 5 years(2)	10.0%-30.0%	5.0%-30.0%

(1) Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Payload and Linker Unit.

(2) The estimation of expected annual growth rate is based on the revenue backlog and management's expectation for the market development.

The cash flows beyond the five-year period are extrapolated using a growth rate based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Our performed sensitivity test on the key assumptions by increasing 1% of pre-tax discount rate or decreasing of 5% expected annual growth rate, with all other variables held constant. The impact on the amount by which the goodwill's recoverable amount above its carrying amount (headroom) are as below:

	As at December 31,	
	2021	2022
	RMB'000	RMB'000
Headroom	N/A(1)	83,068
Impact by increasing pre-tax discount rate of 1%	(26,373)	(32,019)
Impact by decreasing annual growth rate of 5%	(45,513)	(47,174)

(1) As the acquisition date of Payload & Linker Business was near the end of financial year 2021, our management considers recoverable amount approximates the carrying amount as of December 31, 2021.

In accordance with our accounting policies, goodwill is tested for impairment on an annual basis at each year end. As of June 30, 2023, the management was not aware of any significant adverse changes on the Payload & Linker Unit, which indicates that the carrying amount of the Payload & Linker Unit exceeds the recoverable amount. Consequently, no interim impairment assessment as of June 30, 2023 was performed.

Based on the above assessment, our management determines that there is no impairment on the Payload & Linker Unit during and at the end of the reporting period. Our management believes that any reasonably possible change in any of these assumptions would not result in impairment.

Intangible Assets

Our intangible assets primarily consisted of technology and customer relationship. Our intangible assets increased significantly from RMB4.8 million as of December 31, 2020 to RMB61.0 million as of December 31, 2021, primarily due to an increase of RMB56.9 million in customer relationship asset, as a result of our acquisition of Payload & Linker Business, partially offset by a decrease of RMB0.7 million in technology as a result of amortization. Our intangible assets then decreased by 17.0% to RMB50.6 million as of December 31, 2022, primarily due to (i) a decrease of RMB6.2 million in customer relationship asset and (ii) a decrease of RMB4.1 million in technology, both as a result of amortization. Our intangible assets then increased by 12.6% to RMB57.0 million as of June 30, 2023, primarily representing addition of certain license-in technologies.

Inventories

Our inventories consisted primarily of raw materials, pharmaceutical intermediates and consumables. Our inventories level increased from RMB7.7 million as of December 31, 2020 to RMB23.8 million as of December 31, 2021, and to RMB62.9 million as of December 31, 2022, generally in line with our business growth. Our inventories decreased to RMB47.4 million as of June 30, 2023, primarily representing inventory consumed for our manufacturing activities and our inventory optimization strategy to lower our inventory level to approximately two to three months' supply.

Our inventory turnover days was 29.1 days, 21.7 days and 13.1 days in 2021, 2022 and the six months ended June 30, 2023. During the Track Record Period, our inventory turnover days generally decreased as a result of the optimization of our procurement strategy and the resulting higher inventory consumption rate. The following table sets forth the number of our inventory turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Inventory turnover days[1]	N/A	29.1	21.7	13.1

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance for the relevant period (the opening balance in 2020 being unavailable), divided by the cost of services for the same period, and multiplied by the number of days in that period.

As of September 30, 2023, approximately RMB17.0 million, or 36.0%, of our inventories as of June 30, 2023 had been consumed. Such inventory consumption rate was attributable to our inventory procurement practices, and we typically procure raw materials based on our project status and business projections for the forthcoming year, so as to save procurement cost and improve operating efficiency. The following table sets forth the aging analysis of our inventories as of the dates indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within three months	1,561	11,161	30,191	9,296
Over three months but within one year	3,942	11,298	26,675	28,932
Over one year	2,175	1,327	6,068	9,175
Total	7,678	23,786	62,934	47,403

Our Directors concluded that we do not have any material recoverability issue for our inventories and the write-down of inventories was adequate and reasonable for the following reasons. During the Track Record Period, we had a relatively quick inventory turnover, as reflected by the relatively short inventory turnover days of 29.1 days, 21.7 days and 13.1 days in 2021, 2022 and the six months ended June 30, 2023. We also have in place dedicated personnel who continually monitor aging conditions of our inventories with a view to identify obsolete and slow-moving inventories so that we can promptly take appropriate remedial measures accordingly. Our management also reviews the recoverability of our inventories as of the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. During the Track Record Period, we recorded a relatively insignificant amount of write-down of inventories, net of reversal, of nil, RMB0.4 million, RMB0.1 million and RMB0.3 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. In light of the foregoing, we do not expect to experience any material issue in recoverability of inventories in the foreseeable future.

Trade and Other Receivables

The following table sets forth a breakdown of our trade and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade receivables from contracts with customers, net of loss allowance				
— Related parties	18,347	63,209	134,666	88,748
Less: allowance for credit losses	(261)	(6,405)	(13,520)	(3,349)
— Third parties	5,824	36,827	370,495	612,038
Less: allowance for credit losses	(20)	(4,438)	(38,370)	(24,749)
	23,890	89,193	453,271	672,688
Receivables for purchase of raw materials on behalf of customers	363	1,096	5,246	—
Less: allowance for credit losses	(8)	(2)	(2,175)	—
	355	1,094	3,071	—
Advance to suppliers	1,460	413	937	815
Other receivables				
— Related parties	38	43,210	2,312	4,753
— Third parties	2,649	860	581	641
Deferred issue cost	—	—	—	1,054
Prepayments	21	107	214	851
Value-added tax recoverable	15,647	15,359	45,218	76,443
Total	44,060	150,236	505,604	757,245

Trade receivables from related parties primarily comprised outstanding amounts receivable from the Remaining WXB Group. Trade receivables from third parties primarily represented the outstanding amounts receivable from other customers for our CRDMO services. Apart from trade receivables, we also had (i) receivables for purchase of raw materials on behalf of customers, (ii) advances to suppliers, (iii) other receivables, representing deposits and income tax paid on behalf of our employees, (iv) deferred issue cost, (v) prepayments, and (vi) value-added tax recoverable.

Our trade and other receivables increased significantly from RMB44.1 million as of December 31, 2020 to RMB150.2 million as of December 31, 2021, primarily due to (i) an increase of RMB65.3 million in trade receivables, net of loss allowances, generally in line with our business growth and (ii) an increase of RMB41.4 million in other receivables primarily attributable to a one-time disposal of certain facilities to the Remaining WXB Group.

Our trade and other receivables increased significantly from RMB150.2 million as of December 31, 2021 to RMB505.6 million as of December 31, 2022, primarily due to (i) an increase of RMB364.1 million in trade receivables, net of loss allowances, generally in line with our business growth and (ii) an increase of RMB29.9 million in value-added tax recoverable as a result of the increase in our input VAT in line with our business growth, partially offset by a decrease of RMB41.2 million in other receivables.

Our trade and other receivables increased by 49.8% from RMB505.6 million as of December 31, 2022 to RMB757.2 million as of June 30, 2023, primarily due to an increase of RMB219.4 million in trade receivables, primarily attributable to third parties, in line with our business growth.

The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Not past due	1,221	81,187	273,897	401,805
Overdue:				
Within 90 days	18,329	5,422	141,332	165,468
91 days to one year	4,340	2,584	36,301	98,196
Over one year	—	—	1,741	7,219
Total	23,890	89,193	453,271	672,688

Our trade receivables turnover days was 66.3 days, 100.0 days and 102.6 days in 2021, 2022 and the six months ended June 30, 2023, respectively. The increases in our trade receivables turnover days in 2022 and the six months ended June 30, 2023 were primarily because (1) we gradually phased out settlements through the Remaining WXB Group, which would occasionally adjust settlement pace according to our capital and liquidity needs, and (2) we were increasingly dealing with third party customers directly, who typically have a longer settlement cycle for trade receivables. The following table sets forth the number of our trade receivables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Trade receivables turnover days[1]	N/A	66.3	100.0	102.6

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables (the opening balance in 2020 being unavailable), net of allowance for credit loss, for the relevant period, divided by the revenue for the same period, and multiplied by the number of days in that period.

We allow customers a credit period ranging from 10 to 90 days. Our Directors concluded that we do not have any material recoverability issue for our trade receivables and the allowance for expected credit losses was adequate and reasonable for the following reasons.

- We apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Except for the customers which are assessed individually, we determine the ECL on these items by using a provision matrix and categorize our customers into three types: low credit risk customers, normal credit risk customers and high credit risk customers, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect current conditions and estimates of future economic conditions.

- The percentage of trade receivables not past due and due within 90 days, which is within the typical range of our credit period granted to customers, accounted for 81.8%, 97.1%, 91.6% and 84.3% of our total trade receivables as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. As of September 30, 2023, approximately RMB530.4 million, or 75.7%, of our trade receivables as of June 30, 2023 had been settled.

- We maintain strict control over our outstanding trade receivables and oversee our trade receivables to minimize credit risk. Our senior management regularly review the overdue balances to ensure relevant information about specific debtors is updated.

As of September 30, 2023, approximately RMB535.8 million, or 75.9%, of our trade and other receivables as of June 30, 2023 had been settled.

Contract Assets

Our contract assets represented our accrued revenue. We recorded contract assets of RMB1.0 million, RMB10.7 million, RMB17.3 million and RMB24.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. We recorded allowance for credit losses in relation to our contract assets of nil, RMB2,000, RMB0.2 million and RMB1.7 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively.

Our contract assets increased significantly from RMB1.0 million as of December 31, 2020 to RMB10.7 million as of December 31, 2021, and further to RMB17.3 million as of December 31, 2022 and RMB24.7 million as of June 30, 2023, generally in line with our business growth. As of September 30, 2023, approximately RMB19.2 million, or 72.8%, of our contract assets as of June 30, 2023 had been billed and accounted as trade receivables.

Contract Cost

Our contract cost represented recoverable costs incurred for fulfilling contracts, revenue of which had not been recognized, and we recorded contract cost of RMB13.9 million, RMB36.7 million, RMB80.7 million and RMB63.1 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Our contract cost increased significantly from RMB13.9 million as of December 31, 2020 to RMB36.7

million as of December 31, 2021, and further to RMB80.7 million as of December 31, 2022, generally in line with our business growth. Our contract cost decreased to RMB63.1 million as of June 30, 2023, primarily due to the reclassification of our contract cost to cost of services after project delivery.

Financial Assets at Fair Value through Profit or Loss

Our financial assets measured at fair value through profit or loss ("**FVTPL**") primarily consisted of our investment in wealth management products. We had financial assets at FVTPL of RMB400.0 million as of December 31, 2022, representing our wealth management products with a bank with a maturity term of within 12 months. The fair value of our financial assets at FVTPL is measured using level 2 input. For the wealth management products, returns are determined with reference to the performance of the underlying instruments in the currency market. The average return rate of our wealth management products is 3.7% and 9.4% per annum for the year ended December 31, 2022 and the six months ended June 30, 2023, respectively. We held nil financial assets at FVTPL as of December 31, 2020 and 2021 and June 30, 2023.

We believe we can make better use of our cash by making appropriate investments in wealth management products of low-to-medium risk, which generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. Our finance department is responsible for the analysis and research of investment in wealth management products based on our cash positions. Investment decisions on wealth management products must be approved by our chief financial officer. Redemption of wealth management products prior to their maturity must be initiated by finance managers and approved by our chief financial officer. These policies and measures were formulated by our senior management, and the implementation of our investment policies and measures was supervised by our Board. We will comply with requirements under Chapter 14 of the Listing Rules and disclose the details of our investments and other notifiable transactions to the extent necessary and as appropriate after the [**REDACTED**].

Bank Balances and Cash

Our bank balances and cash remained stable at RMB28.4 million as of December 31, 2020 and RMB26.3 million as of December 31, 2021. Our bank balances and cash increased significantly to RMB335.0 million as of December 31, 2022, primarily due to our revenue growth in 2022 and capital injection from our Shareholders. Our bank balances and cash increased by 67.7% to RMB561.6 million as of June 30, 2023, primarily due to our revenue growth. During the Track Record Period, most of our bank balances were denominated in U.S. dollars. See "— Quantitative and Qualitative Disclosures about Market Risks — Currency Risk" for details.

Trade and Other Payables

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

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade payables				
— Related parties	24	22,505	457,295	484,756
— Third parties	4,520	10,285	23,537	21,928
	4,544	32,790	480,832	506,684
Other payables and accrual				
— Related parties	1,692	41,267	109,153	131,672
— Third parties	3,333	17,131	25,060	20,780
	5,025	58,398	134,213	152,452
Payable for purchase of property, plant and equipment	14,273	25,543	116,870	79,934
Consideration payable to a related party for acquisition of Payload and Linker Business	—	280,000	—	—
Consideration payable to a related party for acquisition of XDC Wuxi	—	404,413	—	—
Consideration payable to a related party for acquisition of BCD business unit	—	—	15,587	5,710
Salary and bonus payables	7,824	11,253	24,589	19,137
Accrued [**REDACTED**] expenses	—	—	—	6,785
Accrued issue cost	—	—	—	950
Other taxes payable	414	6,256	1,222	1,497
Total	32,080	818,653	773,313	773,149

Trade payables to related parties comprised outstanding amounts payable to the Remaining WXB Group and the WXAT Group in relation to, among others, the development, manufacturing and testing services for antibody and payload-linkers, raw material procurement services and project management services that we procured from these related parties. Trade payables to third parties primarily represented the balances due to our suppliers for purchase of raw materials and consumables. Other payables and accrual to related parties mainly arose from administrative services provided by our related parties and rental expenses. Other payables and accruals to third parties represented payables arising from our construction in progress. For considerations payables to related parties during the Track Period, see "History, Reorganization and Corporate Structure — Major Acquisition and Transfers during the Track Record Period." Salary and bonus payables represented outstanding amounts payable to our employees as of the period end. Accrued [**REDACTED**] expenses and accrued issue cost represented outstanding amounts payable in connection with the [**REDACTED**]. Other taxes payable primarily represented payables in relation to VAT.

Our trade and other payables increased significantly from RMB32.1 million as of December 31, 2020 to RMB818.7 million as of December 31, 2021, primarily due to (i) consideration payable to a related party for the acquisition of XDC Wuxi from WuXi Biologics Investment of RMB404.4 million, and (ii) consideration payable to a related party for acquisition of business of RMB280.0 million in relation to our acquisition of Payload & Linker Business.

Our trade and other payables decreased by 5.5% from RMB818.7 million as of December 31, 2021 to RMB773.3 million as of December 31, 2022, primarily due to the payment settlement of RMB404.4 million in consideration payable to a related party for the acquisition of XDC Wuxi from WuXi Biologics Investment and of RMB280.0 million in consideration payable to a related party for acquisition of business in relation to our acquisition of Payload & Linker Business in 2021, partially offset by (i) an increase of RMB434.8 million in trade payables to related parties as a result of the increase in our demands for services provided by our related parties, driven by our business growth, (ii) an increase of RMB67.9 million in other payables and accruals to related parties, as a result of the increase in administrative services received from our related parties, and (iii) an increase of RMB91.3 million in payable for purchase of property, plant and equipment as a result of the expansion of our Wuxi site.

Our trade and other payables remained relatively stable at RMB773.1 million as of June 30, 2023.

The following table sets forth an aging analysis of our trade payables, based on the invoice dates, as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within 90 days	3,439	30,838	432,756	500,563
91 days to one year	1,105	1,930	47,853	5,732
One to two years	—	22	223	360
Over two years	—	—	—	29
	4,544	32,790	480,832	506,684

Our trade payables turnover days increased from 34.5 days in 2021 to 128.5 days in 2022, primarily due to the significant increase in our trade payables as a result of the increase in antibody intermediate manufacturing outsourced to our related parties, with whom we typically enjoy a longer credit period. Our trade payable turnover days for the six months ended June 30, 2023 remained largely stable at 117.0 days. The credit period on trade payables is within 90 days. The following table sets forth the number of our trade payables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Trade payables turnover days[1]	N/A	34.5	128.5	117.0

(1) Trade payables turnover days were calculated based on the average of opening and closing balance of trade payables for the relevant period (the opening balance in 2020 being unavailable), divided by the cost of services for the same period, multiplied by the number of days in that period.

As of September 30, 2023, approximately RMB493.3 million, or 97.4%, of our trade payables as of June 30, 2023 had been settled, and approximately RMB645.5 million, or 97.9%, of our trade and other payables as of June 30, 2023 had been settled.

Contract Liabilities

Our contract liabilities consisted primarily of deposits paid by customers. We typically charge an upfront deposit from customers before we commence work under the relevant contract. We reclassify contract liabilities into revenue, which is recognized over the course of the projects based on completion of relevant tasks. Our contract liabilities increased from RMB0.2 million as of December 31, 2020 to RMB10.0 million as of December 31, 2021, to RMB151.5 million as of December 31, 2022, and further to RMB232.4 million as of June 30, 2023, generally in line with the increase in the number of our projects initiated in the respective period. As of September 30, 2023, approximately RMB161.5 million, or 69.5%, of our contract liabilities as of June 30, 2023 had been recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary use of cash is to fund our working capital requirements and payment for the purchase of plant and equipment and other recurring expenses. During the Track Record Period, we financed our capital expenditures and working capital requirements primarily through a combination of cash generated from our operating activities, loans and advances from related parties and capital contribution from Shareholders. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash generated from our operating activities and [**REDACTED**] from the [**REDACTED**] and other funds raised from the capital markets from time to time. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had bank balances and cash of RMB28.4 million, RMB26.3 million, RMB335.0 million and RMB561.6 million, respectively. Taking into account the financial resources available to us, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

During the Track Record Period and as of the Latest Practicable Date, we did not maintain any banking facilities, and we have decided to take out intercompany loans from the Remaining WXB Group and capital contribution from Shareholders to finance our operations. As of the Latest Practicable Date, all intercompany borrowings between us and the Remaining WXB Group had been settled in full. We opted for taking out loans from the Remaining WXB Group instead of banks or other independent third parties primarily because borrowing from third parties typically involves more lengthy review and administrative processes, which may cause delays to the implementation of our capital expenditure plans. Although we did not apply for any bank loans or lines of credit during the Track Record Period, we do not foresee any difficulties in obtaining bank loans or lines of credit at reasonable terms. Going forward, we intend to finance our operations primarily with a combination of cash generated from our operating activities and [**REDACTED**] from the [**REDACTED**] and other funds raised from the capital markets from time to time.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Operating cash flows before movements in working capital	51,677	123,626	300,940	240,103
Changes in working capital	(21,845)	(58,847)	(5,991)	(67,851)
Cash generated from operations	29,832	64,779	294,949	172,252
Income taxes paid	(8,978)	(5,643)	(43,133)	(12,621)
Net cash from operating activities	20,854	59,136	251,816	159,631
Net cash (used in)/from investing activities	(52,424)	(51,587)	(1,279,543)	137,117
Interest paid	—	–	(325)	(149)
Net cash from/(used in) financing activities	69,116	22,343	1,328,213	(73,729)
Net increase/(decrease) in cash and cash equivalents	24,627	(2,065)	308,647	226,672
Cash and cash equivalents at beginning of the period	3,763	28,390	26,325	334,972
Cash and cash equivalents at end of the period	28,390	26,325	334,972	561,644

Net Cash Generated from Operating Activities

Net cash generated from operating activities was RMB159.6 million in the six months ended June 30, 2023, primarily due to our profit before tax of RMB211.6 million, minus income tax paid of RMB12.6 million, as adjusted by (i) certain non-cash and non-operating items, primarily including share-based compensation expense of RMB31.8 million, impairment losses, net of reversal, in relation to our trade and other receivables of RMB26.0 million, and depreciation of property, plant and equipment of RMB17.7 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in contract liabilities of RMB81.0 million and a decrease in contract costs of RMB25.1 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB224.6 million. We plan to improve our net operating cash flow position by continuing to maintain strict control over our outstanding trade receivable, monitor customer payment status and strengthen account collection efforts. In order to ensure steady operations and improve our net operating cash outflows position, we plan to take the following measures to improve working capital efficiency: (i) strengthening our service capabilities and implementing procurement decisions in accordance with market demands, (ii) engaging in frequent communication with major customers that have large outstanding trade receivables with us for timely account collection; and (iii) enhancing cooperation with suppliers to reduce the amount of prepayments required.

Net cash generated from operating activities was RMB251.8 million in 2022, primarily due to our profit before tax of RMB195.8 million, minus income tax paid of RMB43.1 million, as adjusted by (i) certain non-cash and non-operating items, primarily including impairment loss, net of reversal, of RMB43.4 million, share-based compensation expense of RMB38.6 million and depreciation of property, plant and equipment of RMB17.5 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase of trade and other payables of RMB539.0 million and increase in contract liabilities of RMB141.6 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB592.2 million.

Net cash generated from operating activities was RMB59.1 million in 2021, primarily due to our profit before tax of RMB66.9 million, minus income tax paid of RMB5.6 million, as adjusted by (i) certain non-cash and non-operating items, primarily including share-based compensation expense of RMB22.2 million and depreciation of property, plant and equipment of RMB16.3 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase of trade and other payables of RMB94.9 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB116.7 million.

Net cash generated from operating activities was RMB20.9 million in 2020, primarily due to our profit before tax of RMB32.4 million, minus income tax paid of RMB9.0 million, as adjusted by (i) certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB13.0 million and share-based compensation expense of RMB6.5 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in inventories of RMB4.1 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB13.1 million and an increase in contract costs of RMB9.4 million.

Net Cash (Used in)/from Investing Activities

Net cash flows from investing activities was RMB137.1 million in the six months ended June 30, 2023, primarily due to withdrawal of financial assets at FVTPL of RMB1,469.6 million, partially offset by purchase of financial assets at FVTPL of RMB1,068.8 million.

Net cash flows used in investing activities was RMB1,279.5 million in 2022, primarily due to (i) payment for acquisition of a subsidiary pursuant to transfer of XDC Wuxi of RMB404.4 million, (ii) placement of financial assets at FVTPL of RMB400.0 million, (iii) purchase of property, plant and equipment of RMB201.4 million, and (iv) payment for acquisition of business of RMB280.0 million.

Net cash flows used in investing activities was RMB51.6 million in 2021, primarily due to (i) purchase of property, plant and equipment of RMB50.8 million and (ii) payment for right-of-use assets of RMB1.2 million.

Net cash flows used in investing activities was RMB52.4 million in 2020, primarily due to purchase of property, plant and equipment and intangible assets of RMB52.9 million, partially offset by proceeds on disposal of property, plant and equipment of RMB0.4 million.

Net Cash (Used in)/from Financing Activities

Net cash flows used in financing activities was RMB73.7 million in the six months ended June 30, 2023, primarily due to repayments of loan from related parties of RMB99.8 million, partially offset by loan from related parties of RMB28.6 million.

Net cash flows from financing activities was RMB1,328.2 million in 2022, primarily due to proceeds from issue of share of RMB1,285.5 million and loan from related parties of RMB137.3 million, partially offset by repayment of loan from related parties of RMB88.5 million.

Net cash flows from financing activities was RMB22.3 million in 2021, representing loans from related parties.

Net cash flows from financing activities was RMB69.1 million in 2020, representing capital contribution from our equity holders.

Current Assets and Current Liabilities

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

	As of December 31,			As of June 30, 2023	As of September 30, 2023
	2020	2021	2022		
	(RMB in thousands)				
					(Unaudited)
Current assets					
Inventories	7,678	23,786	62,934	47,403	47,777
Trade and other receivables	44,060	150,236	505,604	757,245	834,166
Contract assets	1,028	10,717	17,309	24,665	29,328
Contract costs	13,875	36,690	80,713	63,134	88,779
Tax recoverable	2,663	—	—	—	—
Derivative financial assets	2,224	2,549	799	—	—
Financial assets at FVTPL	—	—	400,000	—	—
Bank balances and cash	28,390	26,325	334,972	561,644	440,644
Total current assets	99,918	250,303	1,402,331	1,454,091	1,440,694
Current liabilities					
Trade and other payables	32,080	818,653	773,313	773,149	775,523
Loans from related parties	—	22,343	71,144	—	—
Contract liabilities	151	10,020	151,450	232,418	276,735
Income tax payable	—	5,225	11,506	30,457	30,173
Lease liabilities	—	2,249	4,413	2,828	1,718
Derivative financial liabilities	—	—	2,147	—	—
Total current liabilities	32,231	858,490	1,013,973	1,038,852	1,084,149
Net current assets/(liabilities)	67,687	(608,187)	388,358	415,239	356,545
Total assets less current liabilities	376,237	21,263	1,482,406	1,701,098	1,794,636

We had net current assets of RMB67.7 million, RMB388.4 million, RMB415.2 million and RMB356.5 million as of December 31, 2020 and 2022, June 30, 2023 and September 30, 2023, respectively. Our net current assets position as of each of these days was primarily attributable to our trade and other receivables and bank balances and cash, partially offset by trade and other payables and contract liabilities. We had net current liabilities of RMB608.2 million as of December 31, 2021, primarily due to the consideration payable to a related party for transfer of XDC Wuxi and consideration payable for acquisition of Payload & Linker Business.

Our net current asset decreased from RMB415.2 million as of June 30, 2023 to RMB356.5 million as of September 30, 2023, primarily due to a decrease of RMB121.0 million in bank balances and cash, primarily due to payment made for our construction in progress at Wuxi site.

Our net current asset increased from RMB388.4 million as of December 31, 2022 to RMB415.2 million as of June 30, 2023, primarily due to an increase of RMB251.6 million in trade and other receivables, an increase of RMB226.7 million in bank balance and cash, and a decrease of RMB71.1 million in loans from related parties.

We had net current liabilities of RMB608.2 million as of December 31, 2021, compared to net current assets of RMB388.4 million as of December 31, 2022, primarily due to an increase of RMB400.0 million in financial assets at FVTPL, an increase of RMB333.7 million in trade receivables from third parties, and an increase of RMB308.6 million in bank balances and cash, as a result of our business growth and capital injection from our Shareholders, partially offset by an increase of RMB141.4 million in contract liabilities, in line with the increase of the number of projects initiated in 2022.

We had net current assets of RMB67.7 million as of December 31, 2020 compared to net current liabilities of RMB608.2 million as of December 31, 2021, primarily due to the consideration payable as part of transfer of XDC Wuxi and the consideration for acquisition of Payload & Linker Business.

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period primarily related to our purchase of property, plant and equipment and intangible assets, and amounted to RMB52.9 million, RMB50.8 million, RMB201.4 million and RMB257.8 million, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2023. We funded our capital expenditure requirements during the Track Record Period mainly from a combination of cash generated from our operating activities, loans and advances from related parties and capital contribution from Shareholders.

We plan to fund our planned capital expenditure by using the cash flow generated from our operations and the [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and [**REDACTED**]" for the portion of capital expenditures to be funded by the [**REDACTED**] from the [**REDACTED**].

Capital Commitments

Our capital commitments primarily related to purchase of property, plant and equipment and building construction. The following sets forth a summary of our capital commitments as of the dates indicated.

	As of December 31,			As of June 30, 2023
	2020	2021	2022	
	(RMB in thousands)			
Contracted but not provided for:				
Property, plant and equipment	39,766	124,413	126,572	159,922
Total	39,766	124,413	126,572	159,922

ACQUISITION OF PAYLOAD & LINKER BUSINESS

We entered into agreement to acquire Payload & Linker Business in July 2021, which focused on the research, development and manufacturing of payload-linkers. To facilitate our [**REDACTED**] to understand the financial performance of the Acquired Business during the Track Record Period and before the acquisition was completed, the following table is a summary of the major components of the consolidated financial statements of the Payload & Linker Business up to September 30, 2021.

	Year ended December 31, 2020	Nine months ended September 30, 2021
	(RMB in thousands)	
Revenue	58,181	131,341
Cost of sales and services	(19,210)	(56,021)
Gross profit	38,971	75,320
Other gains and losses	—	(11)
Impairment losses, under ECL model, net of reversal	(115)	7
Selling and marketing expenses	(7)	(7)
Administrative expenses	(1,306)	(926)
Research and development expenses	(1,506)	(1,322)
Profit before tax	36,037	73,061
Income tax expenses	(5,615)	(10,971)
Profit and total comprehensive income for the year/period	30,422	62,090

The following table is a summary of major components of the consolidated statements of financial position of the Payload & Linker Business up to September 30, 2021.

	As of December 31, 2020	As of September 30, 2021
	(RMB in thousands)	
Non-current asset		
Property and equipment	6,971	6,407
Current assets		
Trade receivables	12,564	—
Contract costs	17,850	—
Total current assets	30,414	—
Current liabilities		
Other payables	221	—
Contract liabilities	6,576	—
Total current liabilities	6,797	—

	As of December 31, 2020	As of September 30, 2021
	(RMB in thousands)	
Net current assets	23,617	6,407
Total assets less current liabilities	30,588	6,407
Net assets	30,588	6,407
Capital and reserves		
Retained earnings	44,456	106,546
Other reserve	(13,868)	(100,139)
Total equity	30,588	6,407

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of lease liabilities and loans from related parties. Our lease liabilities and loans from related parties as of December 31, 2020, 2021 and 2022, June 30, 2023 and September 30, 2023, being the latest practicable date for the purpose of indebtedness statement, were as follows.

	As of December 31,			As of June 30, 2023	As of September 30, 2023
	2020	2021	2022		
	(RMB in thousands)				
					(unaudited)
Lease liabilities (current)	—	2,249	4,413	2,828	1,718
Lease liabilities (non-current)	—	—	1,627	2,477	2,363
Loans from related parties	—	22,343	71,144	—	—
Total	—	24,592	77,184	5,305	4,081

As of September 30, 2023, RMB1.3 million of our lease liabilities was unguaranteed and secured by the rental deposits while the remaining portion of the lease liabilities was unguaranteed and unsecured. Save as disclosed above, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of the Latest Practicable Date. We had not guaranteed the indebtedness of any independent third parties as of the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness since September 30, 2023.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Company.

[REDACTED] EXPENSES

We expect to incur a total of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of [**REDACTED**] expenses in connection with the [**REDACTED**], representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**], and assuming that the [**REDACTED**] is not exercised), including (1) [**REDACTED**] fees and [**REDACTED**] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (2) [**REDACTED**] expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (ii) other fees and expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]). Approximately RMB[**REDACTED**] has been charged to our consolidated statements of profit or loss in the six months ended June 30, 2023, approximately RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit and loss after the Track Record Period, and approximately RMB[**REDACTED**] is expected to be deducted from equity. The [**REDACTED**] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2020	2021	2022	2022	2023
				(unaudited)	
Profitability ratios					
Gross profit margin(1)	8.4%	36.5%	26.4%	31.6%	23.1%
Net profit margin(2)	27.3%	17.7%	15.7%	29.8%	17.8%
Adjusted net profit margin (non-IFRS measure)(3)	34.0%	24.8%	19.6%	33.0%	21.8%
EBITDA margin (non-IFRS measure)(4)	47.5%	27.7%	22.7%	40.8%	23.3%
Adjusted EBITDA margin (non-IFRS measure)(5)	54.3%	34.9%	26.6%	44.0%	27.2%
Return on total assets(6)	6.4%	6.2%	6.2%	N/A	NM(8)
Liquidity ratios					
Current ratio(7)	3.1	0.3	1.4	N/A	1.4

(1) Gross profit for the period divided by revenue for the respective period and multiplied by 100.0.
(2) Profit or loss for the period divided by revenue for the respective period and multiplied by 100.0.
(3) Adjusted net profit (non-IFRS measure), defined as profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation, divided by revenue for the respective period and multiplied by 100.0.
(4) EBITDA (non-IFRS measure), defined as profit for the period adjusted by adding back depreciation and amortization, income tax expense and finance costs and subtracting interest income from banks, divided by revenue for the respective period and multiplied by 100.0.
(5) Adjusted EBITDA (non-IFRS measure), defined as profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation, depreciation and amortization, income tax expense and finance costs and subtracting interest income from banks, divided by revenue for the respective period and multiplied by 100.0.
(6) Profit for the period divided by the closing balance of total assets of for the respective period and multiplied by 100.0.
(7) Current assets divided by current liabilities as of period end.
(8) Not meaningful.

Analysis of Key Financial Ratios

Gross Profit Margin and Net Profit Margin

See "— Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Adjusted Net Profit Margin (Non-IFRS Measure), EBITDA Margin (Non-IFRS Measure) and Adjusted EBITDA Margin (Non-IFRS Measure)

Our adjusted net profit margin (non-IFRS measure) decreased from 34.0% in 2020 to 24.8% in 2021 and further to 19.6% in 2022, and from 33.0% in the six months ended June 30, 2022 to 21.8% in the six months ended June 30, 2023. Our EBITDA margin (non-IFRS measure) decreased from 47.5% in 2020 to 27.7% in 2021 and further to 22.7% in 2022, and from 40.8% in the six months ended June 30, 2022 to 23.3% in the six months ended June 30, 2023. Our adjusted EBITDA margin (non-IFRS measure) decreased from 54.3% in 2020 to 34.9% in 2021 and further to 26.6% in 2022, and from 44.0% in the six months ended June 30, 2022 to 27.2% in the six months ended June 30, 2023. The decrease in our adjusted net profit margin (non-IFRS measure), EBITDA margin (non-IFRS measure) and adjusted EBITDA margin (non-IFRS measure) during the Track Record Period was primarily due to the outsourcing of antibody intermediate manufacturing, which lowered our margin, partially offset by the continual increase in our operating leverage from greater economies of scale as we continue to ramp up our operations and increase service efficiency, which had a positive impact on our margin.

Return on Total Assets

Our return on total assets ratio remained relatively stable at 6.4%, 6.2% and 6.2% in 2020, 2021 and 2022, respectively.

Current Ratio

Our current ratio decreased from 3.1 as of December 31, 2020 to 0.3 as of December 31, 2021, primarily due to the increase in our trade and other payables, especially the consideration for transfer of XDC Wuxi and acquisition of Payload & Linker Business. Our current ratio increased to 1.4 as of December 31, 2022, primarily due to the increase in our financial assets at FVTPL and trade and other receivables, as a result of our business growth and capital injection by our Shareholders. Our current ratio remained relatively stable at 1.4 as of June 30, 2023.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms of transactions with other entities that are not related parties. During the Track Record Period, we entered into a number of related party transactions. For details of our related party transactions, see Note 37 to the Accountants' Report in Appendix I to this document. Our Directors are of the view that each of the related party transactions was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties and does not distort our Track Record Period results or make our historical results not reflective of future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to currency, credit and liquidity risks arising from the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency Risk

Our foreign currency transactions, including sales, expose us to foreign currency risk. Certain of our bank balances and cash, trade and other receivables and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities and expose us to such foreign currency risk. The following table details our sensitivity to a 5% increase and decrease in RMB against U.S. dollars, Euro, Hong Kong dollars and Swiss franc, the foreign currencies with which we may have a material exposure. No sensitivity analysis has been disclosed for the Hong Kong dollar-denominated and Swiss franc-denominated assets/liabilities as the impact on profit is immaterial. The sensitivity rate of 5% represents our 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 negative number below indicates a decrease in post-tax profit where Renminbi strengthens 5% against U.S. dollars and Euro.

	Year ended December 31			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Impact on profit or loss sensitivity:					
USD	(1,671)	(2,804)	(13,624)	(7,739)	(13,572)
EUR	15	3	(901)	(140)	(451)

For more details about our currency risk, see Note 33(c) to the Accountants' Report in Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us. At the end of each reporting period, our maximum exposure to credit risk which cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of the financial position.

In order to minimize credit risk, we have developed and maintained our credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and our own historical repayment records to rate its major customers and other debtors. Our exposure and the credit ratings of its counterparties are continuously monitored and reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount. For more details about our credit risk, see Note 33(c) to the Accountants' Report in Appendix I to this document.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of bank balances and cash deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For more details about our liquidity risk, including a maturity profile of our financial liabilities and derivative instruments, see Note 33(c) to the Accountants' Report in Appendix I to this document.

DIVIDEND

During the Track Record Period, we did not pay or declare any dividend. According to our dividend policy adopted on [●], the Articles of Association and applicable laws and regulations, the determination to pay dividends will be made at the discretion of our Directors, subject to the Listing Rules, and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

As advised by our Cayman Islands legal advisors, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, a company may declare and pay a dividend out of either profits or share premium account. The financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay debts as they fall due in the ordinary course of business.

DISTRIBUTABLE RESERVES

As of June 30, 2023, our Company had distributable reserves of RMB1,698.3 million, which were available for distribution to our equity shareholders.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

Since the COVID-19 outbreak, a series of precautionary and control measures have been implemented worldwide to contain the virus. We adopted several precautionary measures to maintain a safe and hygienic working environment, such as adopting COVID-19 disinfecting techniques for our offices, distributing masks for employees, adopting flexible working schedules and locations, and implementing internal reporting system. We did not experience any suspension of operation during the COVID-19 pandemic Our Directors confirmed that, up to the Latest Practicable Date, the COVID-19 outbreak had not had a material adverse effect on our business, results of operations and financial condition. See "Risk Factors — Risks Relating to Our Business and Industry — An occurrence of a natural disaster, wide-spread health epidemic or other outbreaks, such as the COVID-19 pandemic, could have a material adverse effect on our business, results of operations and financial condition" for more details of the risks we are exposed to due to health epidemics and other outbreaks.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since June 30, 2023, being the date on which our latest audited consolidated financial statements were prepared, and that there is no event since June 30, 2023 which would materially affect the information in the Accountants' Report set out in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets attributable to our owners which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out to illustrate the effect of the proposed [**REDACTED**] (as defined in this document) on our consolidated net tangible assets attributable to our owners as of June 30, 2023, as if the [**REDACTED**] had taken place on that date.

Our unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets attributable to our owners has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets attributable to our owners as of June 30, 2023 or as of any subsequent dates following the [**REDACTED**].

The following unaudited [**REDACTED**] statement of our adjusted consolidated net tangible assets attributable to our owners is prepared based on our audited consolidated net tangible assets attributable to our owners as of June 30, 2023 as derived from the Accountants' Report set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets attributable to our owners as of June 30, 2023	Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to our owners as of June 30, 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023	
	(RMB in thousands)			RMB	HK$
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share	1,426,381	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share	1,426,381	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

1. Our audited consolidated net tangible assets attributable to our owners as of June 30, 2023 is arrived at after deducting goodwill and intangible assets attributable to our owners of RMB215,193,000 and RMB57,047,000 from our audited consolidated net assets attributable to our owners of RMB1,698,621,000 as of June 30, 2023 as extracted from the accountants' report set out in Appendix I to this document.

2. The estimated [**REDACTED**] from the issue of [**REDACTED**] pursuant to the [**REDACTED**] are based on [**REDACTED**] Shares at the [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) and HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per [**REDACTED**], being the high-end and low-end of the stated [**REDACTED**] range, after deduction of the estimated [**REDACTED**] fees and commissions and other [**REDACTED**] related expenses not yet recognized in profit or loss up to June 30, 2023. It does not take into account of any Share which may be allotted and issued (i) upon the exercise of the [**REDACTED**]; (ii) under [**REDACTED**] Share Option Schemes; or (iii) under the general mandates for the allotment and issue of shares granted to the directors of the Company.

   For the purpose of this unaudited [**REDACTED**] financial information, the estimated [**REDACTED**] from the [**REDACTED**] is converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB[**REDACTED**], which was the exchange rate prevailing on [**REDACTED**] with reference to the rate published by the State Administration of Foreign Exchange of the PRC. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

3. Our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023 is arrived on the basis that [**REDACTED**] shares including [**REDACTED**] existing ordinary shares in issue and [**REDACTED**] were in issue assuming that the [**REDACTED**] had been completed on June 30, 2023 and it does not take into account of any Share which may be allotted and issued (i) upon the exercise of the [**REDACTED**]; (ii) under [**REDACTED**] Share Option Schemes; or (iii) under the general mandates for the allotment and issue of shares granted to the directors of the Company.

4. For the purpose of this unaudited [**REDACTED**] financial information, our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023 is converted from Renminbi to Hong Kong dollars at an exchange rate of RMB[**REDACTED**] to HK$1.00, which was the exchange rate prevailing on [**REDACTED**] with reference to the rate published by the State Administration of Foreign Exchange of the PRC. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment has been made to our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners as of June 30, 2023 to reflect any trading result or our other transaction entered into subsequent to June 30, 2023. In particular, our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023 have not been adjusted to illustrate the effect of the subsequent events as disclosed in Note 44 to Appendix I in this document as such subsequent events would not have material impact on the unaudited [**REDACTED**] financial information.