You should read the following discussion and analysis in conjunction with our consolidated financial information included in "Appendix I—Accountants' Report" to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors." Unless the content otherwise requires, reference to "2021" or "2022" refers to our financial year ended December 31 of such year.

OVERVIEW

We are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline and an established commercial-scale in-house manufacturing capability. To address significant unmet medical needs in the autoimmune and allergic disease drug market in China, we have built a comprehensive pipeline that covers the four major disease areas in the field, including skin, rheumatic, respiratory and digestive diseases. Our mission is to pursue scientific innovation and deliver affordable and quality therapeutics.

As a pre-revenue biotech company, we were not profitable and incurred operating losses during the Track Record Period. In 2021, 2022 and the five months ended May 31, 2022 and 2023, we had net losses of RMB426.5 million, RMB312.3 million, RMB110.9 million and RMB224.3 million, respectively. Our operating losses were primarily attributable to research and development expenses, changes in the carrying amount of financial instruments issued to investors, administrative expenses and finance costs.

BASIS OF PREPARATION AND PRESENTATION

Our Company was established in the PRC as a limited liability company on June 16, 2015 and was converted into a joint stock company with limited liability on September 2, 2021. See "History and Corporate Structure—Our Corporate Developments—Establishment and major shareholding changes of our Company." We prepared our consolidated financial information in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collectively include all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

For the purposes of preparing our consolidated financial information, we have adopted all applicable new and revised IFRSs consistently for the Track Record Period. We have not adopted any new standards or interpretations that became effective for the accounting year beginning on or after January 1, 2024. See note 31 "Possible impact of amendments, new standards and interpretations issued but not yet effective for the relevant periods" to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations, financial condition and cash flow include the following:

Our Ability to Successfully Develop and Commercialize Our Biologic Drug Candidates

We are a clinical-stage biotech company specialized in biologic therapeutics for autoimmune and allergic diseases. Our results of operations will depend to a significant extent on the successful development and commercialization of our drug candidates. We entered into a collaboration agreement with a subsidiary of Huadong Medicine in August 2020 with respect to the joint development and exclusive commercialization of QX001S in China. See "Business—Collaboration with Zhongmei Huadong." We completed a Phase III clinical trial of QX001S for Ps in June 2023 and Zhongmei Huadong submitted a BLA in China in July 2023, which was accepted by the NMPA in August 2023. We understand that Zhongmei Huadong plans to begin commercializing QX001S in the second half of 2024. In addition, we conducted a pre-Phase III consultation with the NMPA of QX002N for AS, which raised no material questions and confirmed that it had no objections to the commencement of the Phase III clinical trial in its official response in July 2023. We are evaluating the safety and efficacy of QX005N for AD in a Phase II clinical trial and expect to complete such trial in the first half of 2024. We are also conducting a Phase II clinical trial of QX005N for PN and expect to complete this trial in the first half of 2024. As of the Latest Practicable Date, including QX001S, QX002N and QX005N, we had six biologic drug candidates in various clinical stage and three biologic drug candidates in the preclinical stage. Whether our drug candidates can demonstrate favorable safety and efficacy in the clinical trial, whether we can obtain the requisite regulatory approvals for our drug candidates according to our plan and whether we can effectively implement our commercialization strategies are crucial for our business and results of operations.

Our Operating Expenses

Our operating expenses during the Track Record Period primarily consisted of research and development expenses and administrative expenses, details of which are set out below.

- *Research and development expenses.* Our research and development expenses primarily consisted of third-party contracting costs, staff costs, cost of materials and consumables used and depreciation and amortization expenses. In 2021, 2022 and the five months ended May 31, 2022 and 2023, our research and development expenses amounted to RMB151.9 million, RMB257.2 million, RMB97.1 million and RMB142.7 million, respectively. As a biotech company of innovative therapeutics, we have devoted significant resources on the research and development of our biologic drug candidates. We expect to continue to do so in the foreseeable future as we advance our drug development pipeline.

- *Administrative expenses.* Our administrative expenses primarily consisted of staff costs, [**REDACTED**], depreciation and amortization expenses, office and miscellaneous expense and other professional service fees. In 2021, 2022 and the five months ended May 31, 2022 and 2023, our administrative expenses amounted to RMB48.8 million, RMB76.6 million, RMB18.5 million and RMB81.2 million, respectively. We anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

As we move from a clinical-stage company to a commercial-stage company, our cost structure will become more sophisticated with research and development expenses and administrative expenses continuing to increase in amount and complexity.

Carrying Amount of Financial Instruments Issued to Investors

During the Track Record Period, we conducted a series of equity financings. For details, see "History and Corporate Structure—Our Corporate Developments—Establishment and major shareholding changes of our Company." We recognize the financial instruments issued to certain [**REDACTED**] Investors as financial liabilities because these financial instruments did not meet the definition of equity. The financial instruments issued to investors were measured by our Directors with reference to valuation reports prepared by an independent qualified professional valuer. We applied the discounted cash flow method to determine the underlying equity value of our Company and allocated a corresponding value to each share on a *pro rata* basis to determine the carrying amount of the financial instruments issued to investors as of the dates of issuance and at the end of each period of the Track Record Period. As a result, we recorded a non-cash charge of "changes in the carrying amount of financial instruments issued to investors" of RMB240.1 million in our statement of profit and loss in 2021. In July 2021, we entered into supplementary agreements with our [**REDACTED**] Investors, pursuant to which the [**REDACTED**] Investors waived certain preferred rights. Accordingly, we reclassified the financial liabilities recognized for the redemption obligations from financial liabilities to equity and no longer recognize fair-value changes in financial instruments issued to investors going forward.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our material accounting policy information which are important for an understanding of our financial positions and results of operations are set forth in detail in note 2 to the Accountants' Report set out in Appendix I of this document. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and estimates affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Critical accounting judgments and estimates are those that are most important to the portrayal of our financial position and results of operations and require our management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities and their accompanying disclosures during the Track Record Period, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application.

Material Accounting Policy Information

Employee Benefits

We incur staff costs, including salaries, annual bonuses and paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits, in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, we state these amounts at their present values.

For equity-settled share-based payments, we recognize the fair value of equity-settled share-based payments awards granted to employees as an employee cost with a corresponding increase in a capital reserve within equity. We measure the fair value at grant date using customary valuation techniques, taking into account the terms and conditions upon which the equity-settled share-based payments awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, we spread the total estimated fair value of the awards over the vesting period, taking into account the probability that they will vest.

During the vesting period, we review the number of equity-settled share-based payments awards that is expected to vest. We charge/credit any resulting adjustment to the cumulative fair value recognized in prior years to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, we adjust the amount recognized as an expense to reflect the actual number of equity-settled share-based payments awards that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the [**REDACTED**] of our Shares. We recognize the equity amount in the capital reserve until either the equity-settled share-based payments award is exercised (when it is included in the amount recognized in share capital for the shares issued) or expires (when it is released directly to retained profits).

We account for modifications of an equity-settled share-based payment arrangement only if they are beneficial to the employee. If we modify the terms and conditions of the equity instruments granted in a manner that reduces the fair value of the equity instruments granted, or is not otherwise beneficial to the employee, we continue to recognize the services received measured as 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.

Property, Plant and Equipment

We state property, plant and equipment, including right-of-use assets arising from leases over leasehold properties, plant and equipment, at cost less accumulated depreciation and impairment losses. The cost of self-constructed items of property, plant and equipment includes the direct costs of construction and capitalized borrowing costs and any other costs directly attributable to bringing the asset to working condition for its intended use. We add subsequent expenditure relating to an recognized item of property, plant and equipment to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to our Group or our Company. We recognize all other subsequent expenditure as an expense in profit or loss in the period in which it is incurred. We may produce items while bringing certain property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. We recognize the proceeds from selling any such produced items and the related costs in profit or loss. We determine gains or losses arising from the retirement or disposal of an item of property, plant and equipment as the difference between the net disposal proceeds and the carrying amount of the item and we recognize such gains or losses in profit or loss on the date of retirement or disposal.

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

Buildings	20 – 30 years
Equipment and Machinery	3 – 10 years
Other equipment, furniture and fixtures	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, we allocate the cost on a reasonable basis between the parts and depreciate each part separately. We review the useful life and residual value of an asset annually.

Financial Instruments Issued to Investors with Preferred Rights

A contract that contains an obligation to repurchase our Company's equity instruments for cash or another financial asset gives rise to a financial liability even if our Company's repurchase obligation is conditional on the counterparty exercising a right to redeem. We reclassify the financial instruments issued to investors with preferred rights from equity to financial liability initially at the present value of the redemption amount. Subsequently, we recognize changes in the carrying amount of the liabilities in profit or loss.

We derecognize the financial liability when, and only when, our Group's obligations are discharged or canceled or have expired. Upon a termination of the redemption obligation, we credit the carrying amount of the financial instruments derecognized into the equity.

Critical Accounting Judgments and Estimates

Research and Development Expenses

We capitalize and defer the development costs incurred on any research and development project with respect to a certain drug candidate in our pipelines only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete, our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. We recognize development costs which do not meet these criteria as expenses when incurred. Our management will assess the progress of each of the research and development projects and determine the criteria met for capitalization. We recognized all development costs as expenses when incurred during the Track Record Period.

DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,		Five months ended May 31,	
	2021	2022	2022	2023
			(unaudited)	
		(Renminbi in thousands)		
Other income	34,886	25,726	6,858	9,066
Other net (loss)/gain	(2,817)	14,402	7,283	(920)
Administrative expenses	(48,804)	(76,603)	(18,462)	(81,196)
Research and development expenses	(151,887)	(257,214)	(97,079)	(142,711)
Loss from operations	(168,622)	(293,689)	(101,400)	(215,761)
Finance costs	(17,842)	(18,692)	(9,502)	(8,605)
Changes in the carrying amount of financial instruments issued to investors	(240,080)	—	—	—
Loss before taxation	(426,544)	(312,381)	(110,902)	(224,366)
Income tax	73	73	30	30
Loss for the year/period	(426,471)	(312,308)	(110,872)	(224,336)
Attributable to:				
Equity shareholders of the Company	(411,039)	(298,191)	(107,347)	(215,762)
Non-controlling interests	(15,432)	(14,117)	(3,525)	(8,574)
	(426,471)	(312,308)	(110,872)	(224,336)

Revenue

We are a pre-revenue biotech company. We did not generate any revenue or incur any cost of revenue during the Track Record Period.

Other Income

Other income primarily consists of (i) government grants received from various entities, including subsidies for encouragement of research and development activities, subsidy for the incurred interest expenses of bank loans, reimbursement for certain capital expenditure incurred for our manufacturing facilities and subsidies for talent recruitment, (ii) interest income from bank deposits, (iii) interest income from loans to a related party (see "—Material Transactions with Related Parties"), (iv) net realized and unrealized gains on financial assets measured at fair value through profit or loss ("FVTPL"), representing fair value changes incurred in our investment in certain wealth management products (see "—Description of Certain Consolidated Statement of Financial Position Items—Financial Assets at FVTPL") and (v) income from CDMO services we provided.

The following table summarizes a breakdown of our other income for the periods indicated.

	Year ended December 31,		**Five months ended May 31,**	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(Renminbi in thousands)			
Government grants (including amortization of deferred income)	19,978	9,194	698	3,404
Interest income from bank deposits	3,458	4,167	1,123	2,642
Interest income from loans to a related party	3,600	—	—	—
Net realized and unrealized gains on financial assets measured at FVTPL	6,479	11,897	4,667	3,009
CDMO income	732	172	183	10
Others[(1)]	639	296	187	1
Total	34,886	25,726	6,858	9,066

Note:

(1) Others mainly include income related to druggability research we provided to certain external parties.

We received a government subsidy for incurred interest expenses of bank loan of RMB12.0 million in 2021, accounting for 59.9% of our government grants in the same year. Our government grants decreased significantly from 2021 to 2022 primarily because such government subsidy received decreased to RMB5.0 million in 2022.

Our government grants increased significantly from RMB0.7 million in the five months ended May 31, 2022 to RMB3.4 million in the five months ended May 31, 2023 primarily because an increase of RMB1.6 million in subsidies for encouragement of research and development activities and an increase of RMB1.1 million in subsidies for talent recruitment and retention.

Major Subsidies for Encouragement of R&D Activities

We received a non-recurring subsidy of RMB2.0 million pursuant to the 2020 Provincial Key R&D Project Subsidy (2020年省重點研發計劃獎金) of Jiangsu province. Such scheme subsidizes certain key biotech projects, especially innovative drug candidates that obtained an IND after 2017. Our QX002N was selected as a key R&D project and we received such subsidy in 2021.

We also received a non-recurring subsidy of RMB2.0 million pursuant to the 2022 Technology Innovation Company Research and Development Expenses Subsidy Fund (2022科技創新頭部企業研發費用獎勵資金) scheme. Such scheme subsidizes companies that have incurred qualified R&D expenses for a consecutive two years and recorded an increase of over RMB2.0 million in qualified R&D expenses compared to the previous year. The subsidy amount is determined based on the increase in R&D expenses and capped at RMB2.0 million for each company. Based on the increase in our R&D expenses from 2020 to 2021, we applied for an aggregate of RMB2.0 million of such subsidy, and received RMB1.0 million and RMB1.0 million in 2022 and the five months ended May 31, 2023, respectively.

Other Net (Loss)/Gain

Other net (loss)/gain primarily includes net foreign exchange (loss)/gain resulting from the depreciation/appreciation of U.S. dollars against the Renminbi as part of our cash on hand was denominated in U.S. dollars. The following table summarizes a breakdown of our other net (loss)/gain for the periods indicated.

	Year ended December 31,		**Five months ended May 31,**	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(Renminbi in thousands)			
Net foreign exchange (loss)/gain	(2,722)	14,457	7,338	(920)
Others[(1)]	(95)	(55)	(55)	—
Total	(2,817)	14,402	7,283	(920)

Note:

(1) Others mainly include losses from disposals of long-term assets.

Our net foreign exchange loss in 2021 and the five months ended May 31, 2023 and net foreign exchange gain in 2022 and the five months ended May 31, 2022 primarily resulted from the depreciation and appreciation of U.S. dollars against the Renminbi in these periods, respectively, in connection with our cash on hand denominated in U.S. dollars.

Administrative Expenses

Our administrative expenses mainly consist of (i) staff costs, primarily including salaries, equity incentives and other welfare for our administrative staff, (ii) [**REDACTED**], (iii) depreciation and amortization, primarily representing the depreciation and amortization of our office buildings, located on the site of our manufacturing facility in Taizhou, and our office equipment, (iv) other professional service fees, which primarily include fees paid for legal, consulting and other administrative-related professional services, and (v) office and miscellaneous expenses.

The following table summarizes a breakdown of our administrative expenses for the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2021		2022		2022		2023	
					(unaudited)			
	(Renminbi in thousands, except for percentages)							
Staff costs	19,721	40.4%	48,345	63.1%	9,221	49.9%	65,836	81.1%
— Equity-settled share-based payment expenses	5,910	12.1%	30,356	39.6%	2,309	12.5%	54,937	67.7%
— Other staff costs	13,811	28.3%	17,989	23.5%	6,912	37.4%	10,899	13.4%
[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Depreciation and amortization	5,098	10.5%	6,116	8.0%	2,530	13.7%	2,611	3.2%
Other professional service fees	2,746	5.6%	3,508	4.6%	699	3.8%	885	1.1%
Office and miscellaneous expense	4,365	8.9%	3,006	3.9%	958	5.2%	1,119	1.4%
Others(1)	5,889	12.1%	5,474	7.1%	1,711	9.3%	2,304	2.8%
Total	[REDACTED]	100.0%	[REDACTED]	100.0%	[REDACTED]	100%	[REDACTED]	100%

Note:

(1) Others mainly include expenses for property tax and various government levies and business entertainment expenses.

Our staff costs increased significantly from RMB19.7 million in 2021 to RMB48.3 million in 2022 primarily attributable to an increase of RMB24.4 million in equity-settled share-based payment expenses, because we granted additional equity incentives in October 2022.

Our staff costs increased significantly from RMB9.2 million in the five months ended May 31, 2022 to RMB65.8 million in the five months ended May 31, 2023 primarily attributable to an increase of RMB52.6 million in equity-settled share-based payment expenses, as we amortized the additional equity incentives granted in October 2022 in the five months ended May 31, 2023.

Research and Development Expenses

Our research and development expenses mainly consist of (i) third-party contracting costs, primarily representing payments to CROs and trial sites in relation to our preclinical and clinical studies, (ii) staff costs, primarily including salaries, equity incentives and other welfare for our research and development personnel, (iii) cost of materials and consumables used for research and development of our biologic drug candidates, and (iv) depreciation and amortization, primarily representing the depreciation and amortization of our manufacturing facility and equipment used in our research and development activities.

The following table summarizes a breakdown of our research and development expenses for the periods indicated.

	Year ended December 31,				Five months ended May 31,			
	2021		2022		2022		2023	
					(unaudited)			
	(Renminbi in thousands, except for percentages)							
Third-party contracting costs	56,240	37.0%	114,822	44.6%	46,856	48.3%	70,155	49.2%
Staff costs	51,625	34.0%	68,664	26.7%	23,408	24.1%	43,782	30.7%
— Equity-settled share-based payment expenses	5,820	3.8%	11,200	4.4%	627	0.6%	16,884	11.8%
— Other staff costs	45,805	30.2%	57,464	22.3%	22,781	23.5%	26,898	18.8%
Cost of materials and consumables used	25,636	16.9%	30,800	12.0%	10,552	10.9%	9,350	6.6%
Depreciation and amortization	20,238	13.3%	24,365	9.5%	9,803	10.1%	10,402	7.3%
Others[1]	17,016	11.2%	18,563	7.2%	6,460	6.7%	9,021	6.3%
Less: Milestone payment from Zhongmei Huadong[2]	(18,868)	(12.4%)	—	—	–	–	–	–
Total	151,887	100.0%	257,214	100.0%	97,079	100%	142,700	100%

Notes:

(1) Others mainly include utility and office expenses.

(2) On August 14, 2020, we entered into a collaboration agreement (the "QX001S Agreement") with Zhongmei Huadong with respect to the joint development and exclusive commercialization of QX001S in China. Under the QX001S Agreement, Zhongmei Huadong made a milestone payment of RMB20 million (including value-added tax) to us to compensate us for the research and development costs we had incurred after we completed the sample production of QX001S for a Phase III clinical trial and have, upon a consultation with the CDE, obtained consent to proceed with such trial. Accordingly, we recognized the milestone payment (net of value-added tax) as a reimbursement of our research and development costs incurred for QX001S upon the achievement of such milestone in 2021.

Our third-party contractors primarily consist of CROs and hospitals as trial sites. The following table summarizes a breakdown of our third-party contracting costs by type of contractors for the periods indicated.

	Year ended December 31,		Five months ended May 31,	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(Renminbi in thousands)			
CRO	41,438	77,551	34,453	40,518
Hospital	8,608	23,805	8,344	21,519
Others[(1)]	6,194	13,466	4,059	8,117
Total	56,240	114,822	46,856	70,155

Note:

(1) Others mainly include third-party contracting costs for participant enrollment for clinical trials, consulting services, testing services and registration services.

We engaged CROs to assist in clinical trials, preclinical studies and early-stage studies and engaged hospitals as trial sites for clinical trials. The following table summarizes a breakdown of our third-party contracting costs by development stages for the periods indicated.

	Year ended December 31,		Five months ended May 31,	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(Renminbi in thousands)			
Clinical trials	21,929	64,217	22,836	62,054
Preclinical studies	26,299	39,018	22,272	2,639
Early-stage studies	3,591	6,662	843	4,504
Others[(1)]	4,421	4,924	905	957
Total	56,240	114,822	46,856	70,155

Note:

(1) Others mainly include costs of third-party testing services, registration services and translation services for general R&D activities.

Our third-party contracting costs increased significantly from RMB56.2 million in 2021 to RMB114.8 million in 2022 primarily attributable to an increase in contracting costs in relation to clinical trials and preclinical studies because we increased engagement of CROs and trial sites to support our development of QX002N, QX005N, QX006N and QX007N. See "Business—Research and Development—Collaboration with CROs" for details of our engagement of CROs.

Our staff costs increased significantly from RMB23.4 million in the five months ended May 31, 2022 to RMB43.8 million in the five months ended May 31, 2023, mainly attributable to an increase of RMB16.3 million in equity-settled share-based payment expenses, primarily as we amortized the additional equity incentives granted in October 2022 in the five months ended May 31, 2023.

Finance Costs

Our finance costs primarily consist of (i) interest on interest-bearing borrowings and (ii) interest on lease liabilities. The following table summarizes a breakdown of our finance costs for the periods indicated.

	Year ended December 31,		Five months ended May 31,	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(Renminbi in thousands)			
Interest on interest-bearing borrowings	18,457	18,593	9,464	8,571
Interest on lease liabilities	76	99	38	34
Less: interest capitalized into properties under construction	(691)	—	—	—
Total	17,842	18,692	9,502	8,605

Changes in the Carrying Amount of Financial Instruments Issued to Investors

During the Track Record Period, we conducted a series of equity financings. We recognized the financial instruments issued to certain [**REDACTED**] Investors as financial liabilities, as these financial instruments did not meet the definition of equity. We recorded changes in the carrying amount of financial instruments issued to investors of RMB240.1 million in 2021. In July 2021, we entered into supplementary agreements with our [**REDACTED**] Investors, pursuant to which the [**REDACTED**] Investors waived certain preferred rights. As a result, these financial instruments were reclassified from liabilities into equity, and we no longer recognized these financial instruments as financial liabilities or any changes in the carrying amount of such financial liabilities in our statement of profit or loss.

Income Tax

We had income tax credits of RMB73,000, RMB73,000, RMB30,000 and RMB30,000 in 2021, 2022 and the five months ended May 31, 2022 and 2023, respectively. During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes in accordance with applicable tax laws and regulations and did not have any disputes or unresolved tax issues with the relevant tax authorities in all material respects.

Our principal applicable taxes and tax rates are set forth as follows:

Pursuant to the Enterprise Income Tax Law of the PRC, our Company and our subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

According to applicable PRC laws and regulations, our Company obtained the qualification as a high-technology enterprise on November 30, 2021 and is entitled to a preferential income tax rate of 15% from 2021 to 2023.

According to the tax incentive policies promulgated by the State Tax Bureau of the PRC, which were effective from January 1, 2018 to September 30, 2022, an additional 75% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income. According to a new tax incentive policy promulgated by the State Tax Bureau of the PRC in September 2022, an additional 100% of qualified expenses incurred in the period from October 1, 2022 to December 31, 2023 were allowed to be deducted from taxable income.

RESULTS OF OPERATIONS

Five Months Ended May 31, 2023 Compared to Five Months Ended May 31, 2022

Revenue

We did not have any revenue or cost of revenue in the five months ended May 31, 2022 or 2023.

Other Income

Our other income increased by 32.2% from RMB6.9 million in the five months ended May 31, 2022 to RMB9.1 million in the five months ended May 31, 2023. This increase was primarily attributable to an increase of RMB2.7 million in government grants, particularly subsidies for encouragement of research and development activities and subsidies for talent recruitment, partially offset by a decrease of RMB1.7 million in net realized and unrealized gains on financial assets measured at FVTPL as we reduced purchasing of wealth management products during the five months ended May 31, 2023.

Other Net (Loss)/Gain

We recorded an other net gain of RMB7.3 million in the five months ended May 31, 2022, primarily attributable to foreign exchange gain resulting from the appreciation of U.S. dollars against the Renminbi in such period in connection with our cash on hand denominated in U.S. dollars. We recorded an other net loss of RMB0.9 million in the five months ended May 31, 2023, primarily because we incurred loss by converting part of our cash on hand denominated in U.S. dollars in January 2023.

Administrative Expenses

Our administrative expenses increased significantly from RMB18.5 million in the five months ended May 31, 2022 to RMB81.2 million in the five months ended May 31, 2023, primarily attributable to an increase of RMB52.6 million in equity-settled share-based payment expenses, as we amortized the additional equity incentives granted in October 2022 in the five months ended May 31, 2023.

Research and Development Expenses

Our research and development expenses increased by 47.0% from RMB97.1 million in the five months ended May 31, 2022 to RMB142.7 million in the five months ended May 31, 2023, primarily attributable to (i) an increase of RMB23.3 million in third-party contracting costs as as we increased engagement of CROs and trial sites to advance our drug development pipeline; and (ii) an increase of RMB16.3 million in equity-settled share-based payment expenses, mainly due to the amortization of the additional equity incentives granted in October 2022 in the five months ended May 31, 2023.

Finance Costs

Our finance costs decreased by 9.4% from RMB9.5 million in the five months ended May 31, 2022 to RMB8.6 million in the five months ended May 31, 2023, primarily attributable to a decrease of RMB0.9 million in our interest on interest-bearing borrowings as we repaid part of our interest-bearing borrowings in June and December 2022.

Income Tax

Our income tax remained stable at RMB30,000 in the five months ended May 31, 2022 and 2023.

Loss for the Year/Period

As a result of the above, we recorded a net loss of RMB110.9 million and RMB224.3 million in the five months ended May 31, 2022 and 2023, respectively.

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

Revenue

We did not have any revenue or cost of revenue in 2021 or 2022.

Other Income

Our other income decreased by 26.3% from RMB34.9 million in 2021 to RMB25.7 million in 2022. This decrease was primarily attributable to a decrease of RMB10.8 million in government grants primarily because the reimbursement received for the incurred interest expenses of bank loans decreased significantly from 2021 to 2022.

Other Net (Loss)/Gain

We recorded an other net loss of RMB2.8 million in 2021 and an other net gain of RMB14.4 million in 2022, primarily attributable to foreign exchange loss/gain resulting from the depreciation and appreciation of U.S. dollars against the Renminbi in these years, respectively, in connection with our cash on hand denominated in U.S. dollars.

Administrative Expenses

Our administrative expenses increased by 57.0% from RMB48.8 million in 2021 to RMB76.6 million in 2022, primarily attributable to an increase of RMB24.4 million in equity-settled share-based payment expenses as we granted additional equity incentives in October 2022.

Research and Development Expenses

Our research and development expenses increased by 69.3% from RMB151.9 million in 2021 to RMB257.2 million in 2022, primarily attributable to (i) an increase of RMB58.6 million in third-party contracting costs primarily because we increased engagement of CROs and trial sites as we advanced the development of our drug candidates, and (ii) an increase of RMB17.0 million in our staff costs as we increased our R&D headcount and generally increased the salaries for our R&D team.

Finance Costs

Our finance costs increased slightly from RMB17.8 million in 2021 to RMB18.7 million in 2022.

Changes in the Carrying Amount of Financial Instruments Issued to Investors

We incurred changes in the carrying amount of financial instruments issued to investors of RMB240.1 million in 2021, primarily attributable to the changes in the carrying amount of financial liabilities associated with certain preferred rights granted to certain [**REDACTED**] Investors. As such preferred rights were terminated by our Company and our [**REDACTED**] Investors in July 2021, the respective financial instruments were reclassified from liabilities into equity, and we did not recognize any changes in the carrying amount of such financial liabilities in our statement of profit or loss in 2022.

Income Tax

Our income tax remained stable at RMB73,000 in 2021 and 2022.

Loss for the Year/Period

As a result of the above, we recorded a net loss of RMB426.5 million and RMB312.3 million in 2021 and 2022, respectively.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statement of financial position as of the dates indicated.

	As of December 31,		As of May 31,
	2021	**2022**	**2023**
	(Renminbi in thousands)		
Non-current assets			
Property, plant and equipment	378,335	363,125	352,806
Right-of-use assets	22,497	23,039	22,138
Intangible assets	376	3,052	2,758
Other non-current assets	18,024	9,936	12,168
Total non-current assets	**419,232**	**399,152**	**389,870**
Current assets			
Inventories	—	—	2,692
Prepayments and other receivables	19,526	18,384	30,894
Other current assets	8,298	3,377	7,019
Financial assets at FVTPL	402,382	401,097	130,763
Cash and cash equivalents	218,055	213,090	363,676
Total current assets	**648,261**	**635,948**	**535,044**

	As of December 31,		As of May 31,
	2021	2022	2023
	(Renminbi in thousands)		
Current liabilities			
Trade and other payables	53,848	59,930	70,939
Contract liabilities	—	—	2,506
Interest-bearing borrowings	14,869	60,508	58,725
Lease liabilities	956	1,752	1,352
Total current liabilities	**69,673**	**122,190**	**133,522**
Net current assets	**578,588**	**513,758**	**401,522**
Total assets less current liabilities	**997,820**	**912,910**	**791,392**
Non-current liabilities			
Non-current interest-bearing borrowings	274,045	232,521	234,788
Deferred income	18,659	18,018	17,750
Lease liabilities	391	472	—
Deferred tax liabilities	559	486	456
Total non-current liabilities	**293,654**	**251,497**	**252,994**
Net assets	**704,166**	**661,413**	**538,398**

Inventories

We recorded inventories of RMB2.7 million as of May 31, 2023, mainly representing raw materials for our contracted CDMO services. We entered into CDMO services contracts with Zhongmei Huadong and third parties in the five months ended May 31, 2023, pursuant to which we will provide a series of process development and manufacturing services. See "Business—Manufacturing—Manufacturing Facility" for details of our CDMO services.

Prepayments and Other Receivables

Our prepayment and other receivables primarily consist of (i) prepayments for raw materials and clinical expenses, (ii) [**REDACTED**], (iii) deposits, mainly related to our leased properties, (iv) receivables from other debtors, mainly related to non-interest bearing borrowings we granted to certain employees as a benefit and (v) interest receivables, for our time deposits. The following table sets forth a breakdown of our prepayment and other receivables as of the dates indicated.

	As of December 31,		As of May 31,
	2021	**2022**	**2023**
	(Renminbi in thousands)		
Prepayments for raw materials and expenses	18,450	16,232	26,853
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Interest receivables	—	244	1,234
Receivables from other debtors	354	418	682
Deposits	285	546	570
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Our prepayments and other receivables increased significantly from RMB18.4 million as of December 31, 2022 to RMB30.9 million as of May 31, 2023, primarily attributable to an increase of RMB10.6 million in prepayments for raw materials and expenses due to our engagement of CROs and trial sites as we advanced the development of our drug candidates.

As of August 31, 2023, RMB15.8 million, or 58.8%, of our prepayments for raw materials and expenses as of May 31, 2023 had been subsequently utilized.

To maintain a stable talent team and as part of our comprehensive employee benefit system, we granted non-interest bearing loans to our outstanding employees to help them secure their first self-occupied homes in Taizhou during the Track Record Period. Pursuant to our employee benefit policies, qualified employees can apply for non-interest bearing borrowings of up to RMB0.2 million for a term of three years for this purpose. For loans approved by our general manager, we then enter into written agreements with the relevant employees, pursuant to which repayment in equal installments will be deducted from the employees' monthly salaries. As of May 31, 2023, we had six outstanding loans granted to our employees, with an aggregate principal amount of RMB0.5 million. As confirmed by our PRC Legal Advisors, our loan agreements with employees are binding and valid and the provisions therein do not violate the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定).

Financial Assets at FVTPL

Our financial assets at FVTPL represented certain wealth management products we purchased. These wealth management products are primarily principal-protected floating-return wealth management products managed by local branches of national commercial banks or regional commercial banks in Jiangsu province. These wealth management products have expected return rates ranging from 2.80% to 3.64% per annum with a term ranging from 30 days to 185 days. Our financial assets at FVTPL decreased significantly from RMB401.1 million as of December 31, 2022 to RMB130.8 million as of May 31, 2023 as we reduced purchasing of wealth management products in the five months ended May 31, 2023.

We purchased wealth management products to improve the utilization of our cash on hand on a short-term basis. During the Track Record Period, we generally limited our purchase to short-term financial products described as having low level risks offered by reputable commercial banks. We believe that investment in low-risk financial products, such as wealth management products, helps us make better use of our cash while ensuring sufficient cash flow for business operations or capital expenditures. Considering that these wealth management products are short-term and principal-protected, we believe our credit risk exposure is limited. In the future, we will continue to purchase low-risk financial products with short maturity periods while prioritizing our operational needs.

We have implemented a series of treasury policies and internal control policies and rules setting forth overall principles, focusing on the appreciation of capital and supporting our liquidity needs in a manner that is consistent with our overall financial goals and risk considerations. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures after purchasing such wealth management products. We adopt a prudent approach in selecting financial products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as duration of the investment and the expected returns. We generally limit our investments to wealth management products described as having low level risks and offered by major and reputable commercial banks, and we do not permit investment in stock for trading or speculative purposes. In addition, all investments in wealth management products should comply with applicable laws and regulations. Under our investment policy, our finance department personnel should prepare wealth management products purchase plan, based on anticipated expenditures, operational expenses, our cash and bank balances and information of the relevant wealth management products, for the head of finance department and general manager to review. Our finance department is lead by Mr. Lin Weidong (林偉棟). Mr. Lin has accumulated extensive experience in corporate financial management by serving as the senior management at various enterprises. Mr. Lin received a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in June 2016 and was qualified as a Certified Public Accountant non-practicing member (中國註冊會計師協會非執業會員) by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in February 2013. See "Directors, Supervisors and Senior Management—Board of Directors—Executive Directors" for more details. With authorization of the Board, all wealth management products purchase contracts are subject to approval by our general manager. Upon the [**REDACTED**], our investment in wealth management products is subject to the compliance with Chapter 14 of the Listing Rules.

Fair Value Measurement

The following table presents the fair value of our financial instruments measured at the end of each period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS. We determine the level of a fair value measurement with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, such as observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

During the Track Record Period, we purchased wealth management products, which are classified as financial assets measured at fair value through profit or loss ("FVTPL"). Our Directors and responsible officers review the fair value measurements of our financial assets categorized into level 3 of the fair value hierarch of which no quoted prices in an active market exist, taking into account the valuation techniques and assumptions of unobservable inputs and determine if the fair value measurements of level 3 instruments is in compliance with the applicable IFRS. In determining the fair value of the wealth management products classified as level 3 financial assets at FVTPL, our Directors have (i) reviewed the terms of agreements relating to the instruments; (ii) reviewed the valuation working papers and results prepared by our finance team; (iii) carefully considered all information especially those non-market related information input, such as the assets under management and the discount rate, which required management assessment and estimates; and (iv) analyzed and discussed with the designated team regarding the contents of the valuation analysis including but not limited to, the basis of computation, assumptions and valuation methodologies on which the valuation is based, the basis of the discount rates. Based on the above procedures and the professional advice received, our Directors are of the view that the valuation analysis performed on level 3 financial assets at FVTPL is fair and reasonable and the financial statements of our Group are properly prepared. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the level 3 financial assets at FVTPL.

The Sole Sponsor has conducted relevant due diligence work, including (i) understanding from the Company the nature and details of the financial assets and liabilities and obtaining and reviewing the list of the financial assets and liabilities during the Track Record Period; (ii) obtaining and reviewing the terms of the relevant agreements and documents regarding the financial assets and liabilities; (iii) reviewing relevant notes in the Accountant's Report as contained in Appendix I to this document; (iv) understanding from the Company the key bases and assumptions for the valuation of the financial assets and liabilities; and (v) discussing with the Reporting Accountants to understand the work it has performed in relation to the valuation of the level 3 financial assets for the purpose of reporting on the historical financial information, as a whole, of our Group. Having considered the work done by the management and the Reporting Accountants, and the relevant due diligence done as stated above, nothing material has come to the Sole Sponsor's attention that indicates that the Company's management have not undertaken independent and sufficient investigation and due diligence on such level 3 financial assets and liabilities.

For details of the fair value measurement of our level 3 financial instruments, including the fair value hierarchy, the valuation techniques and key inputs, see note 26(e) in the Accountants' Report set out in Appendix I of this document. Our reporting accountants performed its work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical information for the Track Record Period as a whole, and its opinion on the Group for the Track Record Period as a whole is set out in the Accountants' Report in Appendix I of this document.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash at bank. A large portion of our cash and cash equivalents during the Track Record Period, specifically part of the proceeds we received from Series B++ Financing and Series C Financing, were denominated in U.S. dollars. We had cash and cash equivalents of RMB218.1 million, RMB213.1 million and RMB363.7 million as of December 31, 2021 and 2022 and May 31, 2023, respectively. See "—Liquidity and Capital Resources—Cash Flows."

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables, (ii) payroll payables, (iii) payables for purchases of property, plant and equipment, (iv) accrued [**REDACTED**], (v) other payables and accruals, and (vi) interest payables. The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,		As of May 31,
	2021	**2022**	**2023**
	(Renminbi in thousands)		
Trade payables	12,597	19,137	32,516
Payroll payable	18,569	24,185	22,536
Payables for purchases of property, plant and equipment	14,466	7,823	6,211
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other payables and accruals	4,044	3,831	2,160
Interest payables	466	454	2,184
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Our trade and other payables increased by 11.3% from RMB53.8 million as of December 31, 2021 to RMB59.9 million as of December 31, 2022, primarily attributable to (i) an increase of RMB6.5 million in trade payables related to our engagement of CROs as we advanced the development of our drug candidates and (ii) an increase of RMB5.6 million in payroll payables as we generally increased our headcount and our employment compensations, partially offset by a decrease of RMB6.6 million in payables for purchases of property, plant and equipment as we settled part of our payables related to the construction of our manufacturing facility in Taizhou. Our trade and other payables further increased by 18.4% to RMB70.9 million as of May 31, 2023, primarily attributable to an increase of RMB13.4 million in trade payables related to our engagement of CROs and trial sites as we advanced the development of our drug candidates, partially offset by a decrease of RMB1.6 million in payroll payables as we settled employees' bonuses for the year of 2022 in March 2023.

During the Track Record Period, with respect to our suppliers of CRO services, we typically settle in accordance with milestones in the relevant contracts; with respect to our procurement of raw materials, we were typically granted credit terms up to one month. All of our trade payables were within applicable credit period. The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,		As of May 31,
	2021	**2022**	**2023**
	(Renminbi in thousands)		
Within 6 months	12,597	19,137	32,516
Total	12,597	19,137	32,516

As of August 31, 2023, RMB19.5 million, or 60.0%, of our trade payables as of May 31, 2023 had been subsequently settled.

Contract Liabilities

We had contract liabilities of RMB2.5 million as of May 31, 2023, related to the prepayment received under our CDMO service contracts with Zhongmei Huadong and third parties. See "Business—Manufacturing—Manufacturing Facility" for details of our service contract with Zhongmei Huadong. The prepayment was recorded as contract liabilities and is expected to be recognized as income upon achievement of certain milestones under the respective contract.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash during the Track Record Period were funding the research and development of our biologic drug candidates, purchase of raw materials, settlement of construction fees of our manufacturing facility in Taizhou, as well as other working capital needs. Historically, we have financed our operations primarily through equity financing and other capital requirements primarily through bank loans and bank balances. We expect to fund our future working capital and other cash requirements with bank balances, the [**REDACTED**] from this [**REDACTED**], bank and other borrowings and cash generated from our operations. As of August 31, 2023, we had cash and cash equivalents of RMB209.8 million and financial assets at FVTPL, comprising of short-maturity financial products we purchased, of RMB191.3 million. As of the same date, we also had unutilized bank facilities of RMB306.2 million.

Net Current Assets

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

	As of December 31,		As of May 31,	As of August 31,
	2021	2022	2023	2023
	(Renminbi in thousands)			*(unaudited)*
Current assets				
Inventories	—	—	2,692	4,806
Prepayments and other receivables	19,526	18,384	30,894	39,008
Other current assets	8,298	3,377	7,019	7,412
Financial assets at FVTPL	402,382	401,097	130,763	191,284
Cash and cash equivalents	218,055	213,090	363,676	209,835
Total current assets	**648,261**	**635,948**	**535,044**	**452,345**
Current liabilities				
Trade and other payables	53,848	59,930	70,939	98,183
Contract liabilities	—	—	2,506	871
Interest-bearing borrowings	14,869	60,508	58,725	75,922
Lease liabilities	956	1,752	1,352	914
Total current liabilities	**69,673**	**122,190**	**133,522**	**175,890**
Net current assets	**578,588**	**513,758**	**401,522**	**276,455**

The decrease in our net current assets from RMB578.6 million as of December 31, 2021 to RMB513.8 million as of December 31, 2022 was primarily due to an increase of RMB45.6 million in interest-bearing borrowings, primarily attributable to (i) a reclassification of RMB29.7 million from the non-current portion to the current portion of our secured bank loan of RMB300.0 million obtained in 2020 and (ii) short-term bank loans of RMB15.9 million obtained by one of our subsidiaries to fund working capital needs.

The decrease in our net current assets from RMB513.8 million as of December 31, 2022 to RMB401.5 million as of May 31, 2023 was primarily attributable to a decrease of RMB270.3 million in our financial assets at fair value through profit or loss as we reduced purchasing of wealth management products in the five months ended May 31, 2023, which outpaced the increase in cash and cash equivalents of only RMB150.6 million, as we spent cash to support our daily operations in the five months ended May 31, 2023.

The decrease in our net current assets from RMB401.5 million as of May 31, 2023 to RMB276.5 million as of August 31, 2023 was primarily attributable to (i) a decrease of RMB153.8 million in cash and cash equivalents, which outpaced the increase of RMB60.5 million in financial assets at fair value through profit or loss, as we spent cash to support our daily operations and (ii) an increase of RMB27.2 million in trade and other payables primarily attributable to our engagement of CROs as we advanced the development of our drug candidates.

Cash Operating Costs

The following table provides information regarding our cash operating costs for the periods indicated.

	Year ended December 31,		Five months ended May 31,	
	2021	2022	2022	2023
			(unaudited)	
	(Renminbi in thousands)			
Research and development expenses for our Core Products				
Clinical expenses	22,472	55,122	15,445	50,490
Staff cost	8,997	18,247	2,887	7,866
Raw materials and consumables	7,553	17,360	3,353	4,293
Others	5,670	9,310	1,451	3,602
Subtotal	44,692	100,039	23,136	66,250
Research and development expenses for other products and product candidates				
Preclinical and clinical expenses	37,407	52,705	20,672	17,054
Staff cost	31,508	35,067	22,585	22,334
Raw materials and consumables	17,168	11,435	3,919	4,599
Others	11,331	9,510	5,283	5,424
Subtotal	97,414	108,717	52,459	49,410
Total research and development expenses	142,106	208,756	75,595	115,661
Workforce employment[(1)]	12,588	16,640	6,895	8,662
Non-income taxes, royalties and other government charges	2,493	2,439	1,022	1,042
Total cash operating cost	157,187	227,835	83,512	125,365

Note:

(1) Workforce employment costs represented non-R&D staff costs, mainly including salaries and social insurance contributions.

Cash Flows

The following table provides information regarding our cash flows for the periods indicated.

	Year ended December 31,		Five months ended May 31,	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(Renminbi in thousands)			
Net cash outflow from operating activities before movements in working capital	(142,138)	(252,076)	(99,201)	(135,329)
Changes in working capital	19,562	26,864	20,372	(7,056)
Interest paid and/or tax paid	—	—	—	—
Net cash used in operating activities	(122,576)	(225,212)	(78,829)	(142,385)
Net cash (used in)/ generated from investing activities	(247,416)	(5,704)	(103,961)	272,207
Net cash generated from financing activities	281,482	211,494	238,007	21,684
Net (decrease)/increase in cash and cash equivalents	(88,510)	(19,422)	55,217	151,506
Cash and cash equivalents at beginning of the year/period	309,287	218,055	218,055	213,090
Effect of foreign exchange rate changes	(2,722)	14,457	7,338	(920)
Cash and cash equivalents at ending of the year/period	218,055	213,090	280,610	363,676

Net Cash Used in Operating Activities

In the five months ended May 31, 2023, our net cash used in operating activities was RMB142.4 million, primarily representing our loss before taxation of RMB224.4 million, as positively adjusted by (i) equity-settled share-based payment expenses of RMB71.8 million and (ii) depreciation of property, plant and equipment of RMB12.1 million and negatively adjusted by an increase in prepayments and other receivables of RMB12.5 million.

In 2022, our net cash used in operating activities was RMB225.2 million, primarily representing our loss before taxation of RMB312.4 million, as positively adjusted by (i) equity-settled share-based payment expenses of RMB41.6 million, (ii) depreciation of property, plant and equipment of RMB28.3 million, and (iii) finance costs of RMB18.7 million and negatively adjusted by net foreign exchange gain of RMB14.5 million.

In 2021, our net cash used in operating activities was RMB122.6 million, primarily representing our loss before taxation of RMB426.5 million, as positively adjusted by (i) changes in the carrying amount of financial instruments issued to investors of RMB240.1 million, (ii) depreciation of property, plant and equipment of RMB23.6 million, and (iii) finance costs of RMB17.8 million.

As a clinical-stage biotech company, we plan to improve our net cash outflow position from our operations by generating more net cash from our operating activities, launching our products and improving our cost control and operating efficiencies.

- We plan to advance the clinical development and commercialization of QX001S. We completed the Phase III clinical trial in June 2023 and Zhongmei Huadong, a subsidiary of Huadong Medicine and our commercialization partner for QX001S, submitted a BLA in China in July 2023, which was accepted by the NMPA in August 2023. We understand that Zhongmei Huadong plans to begin commercializing QX001S in the second half of 2024. In collaboration with Huadong Medicine, we aim to make QX001S more accessible to patients in China. See "Business—Our Drug Candidates—Our Other Key Product Candidates—QX001S." Therefore, we expect that we will be able to improve our net operating cash outflow position through sales of QX001S in China.

- We plan to advance the clinical development and commercialization of our Core Products, QX002N and QX005N. In March 2023, our Phase II clinical trial of QX002N for AS reached its primary endpoint as reviewed by the IDMC, which recommended that we proceed to a Phase III clinical trial. We conducted a pre-Phase III consultation with the NMPA of QX002N for AS, which raised no material questions and confirmed that it had no objections to the commencement of the Phase III clinical trial in its official response in July 2023. Our QX005N is also in the Phase II clinical stage for both AD and PN and we plan to consult with the NMPA in the third and fourth quarter of 2023 for the commencement of Phase III clinical trials for AD and PN, respectively. We believe we will be able to generate operating cash inflow if we can complete Phase III clinical trials and receive BLA approvals for QX002N and QX005N.

- We will also continue to develop external CDMO services to diversify our source of revenue. We entered into a service contract with Zhongmei Huadong in February 2023 as part of our strategic cooperation with it regarding CDMO services. See "Business—Manufacturing—Manufacturing Facility" for details.

- We plan to adopt comprehensive measures to effectively control our cost and operating expenses. We aim to optimize liquidity to gain a better return for our Shareholders while maintaining adequate risk control. After our product candidates are commercialized, we plan to closely monitor and manage the settlement of our trade receivables to avoid credit losses. We will also closely monitor the settlement of our trade payables to achieve better cash flow position.

Net Cash Used in Investing Activities

In the five months ended May 31, 2023, our net cash generated from investing activities was RMB272.2 million, primarily attributable to proceeds from sale of financial assets measured at FVTPL of RMB603.3 million as part of the wealth management products we had acquired matured in the five months ended May 31, 2023, partially offset by payment for purchase of financial assets measured at FVTPL of RMB330.0 million.

In 2022, our net cash used in investing activities was RMB5.7 million, primarily attributable to (i) payment for purchase of financial assets measured at FVTPL of RMB2,100 million, and (ii) payment for the purchase of property, plant and equipment of RMB20.1 million, partially offset by proceeds from sale of financial assets measured at FVTPL of RMB2,113.2 million.

In 2021, our net cash used in investing activities was RMB247.4 million, primarily attributable to (i) payment for purchase of financial assets measured at FVTPL of RMB800.0 million, and (ii) payment for the purchase of property, plant and equipment of RMB58.0 million, partially offset by proceeds from sale of financial assets measured at FVTPL of RMB604.5 million.

Net Cash Generated from Financing Activities

In the five months ended May 31, 2023, our net cash generated from financing activities was RMB21.7 million, which was primarily attributable to (i) proceeds from share issued under our equity incentive scheme of RMB29.5 million, and (ii) proceeds from interest-bearing borrowings of RMB13.9 million, partially offset by repayment of interest-bearing borrowings of RMB15.9 million.

In 2022, our net cash generated from financing activities was RMB211.5 million, which was primarily attributable to proceeds received from the Series C Financing of RMB227.5 million, partially offset by interest paid for interest-bearing borrowings of RMB15.4 million.

In 2021, our net cash generated from financing activities was RMB281.5 million, which was primarily attributable to proceeds from the Series B++ Financing of RMB300.1 million, partially offset by interest paid for interest-bearing borrowings of RMB15.3 million.

WORKING CAPITAL CONFIRMATION

We believe our liquidity requirements will be mainly satisfied by using funds from a combination of our bank balances, [**REDACTED**] from the [**REDACTED**], bank and other borrowings and cash generated from our operations. As of August 31, 2023, the latest practicable date for determining our indebtedness, we had cash and cash equivalents of RMB209.8 million and financial assets at FVTPL, comprising of short-maturity financial products we purchased, of RMB191.3 million. As of the same date, we also had unutilized bank facilities of RMB306.2 million. Taking into account of the above, together with the estimated [**REDACTED**] from this [**REDACTED**], the Directors are of the opinion that we have sufficient working capital to cover at least 125% of our costs, including general, administrative and operating costs and research and development costs, for at least the next 12 months from the date of this document.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. Taking into account our cash and cash equivalents and short-maturity financial products we purchased, and assuming average monthly net cash used in operating activities and capital expenditures going forward of 1.5 times the average level in 2021 and 2022, we estimate we will be able to maintain our financial viability for 22.6 months from the date of this document without considering [**REDACTED**] from the [**REDACTED**]; or, if we also take into account the [**REDACTED**] from [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the [**REDACTED**] of the indicative [**REDACTED**]), 31.0 months from the date of this document. Our Directors and our management team will continue to monitor our working capital, cash flows and our business development status.

INDEBTEDNESS

As of December 31, 2021 and 2022 and May 31 and August 31, 2023, except as disclosed below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, any guarantees or other material contingent liabilities. Since August 31, 2023, the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document, there has been no material adverse change to our indebtedness.

The following table provides information regarding our indebtedness as of the dates indicated.

	As of December 31,		As of May 31,	As of August 31,
	2021	**2022**	**2023**	**2023**
	(Renminbi in thousands)			*(unaudited)*
Current				
Interest-bearing borrowings	14,869	60,508	58,725	75,922
Lease liabilities	956	1,752	1,352	914
Non-current				
Non-current interest-bearing borrowings	274,045	232,521	234,788	205,646
Lease liabilities	391	472	—	—
Total	290,261	295,253	294,865	282,482

Interest-bearing Borrowings

The following table provides information regarding our interest-bearing borrowings as of the dates indicated.

	As of December 31,		As of May 31,
	2021	**2022**	**2023**
	(Renminbi in thousands)		
Current portion	14,869	60,508	58,725
Non-current portion	274,045	232,521	234,788
Total	288,914	293,029	293,513

We obtained a secured bank loan of RMB300.0 million in 2020 from a bank consortium to support the construction of our manufacturing facility. The loan is secured by our land use rights in Taizhou and guaranteed by Taizhou Huacheng Medical Investment Co., Ltd. (泰州華誠醫學投資集團有限公司) ("Taizhou Huacheng"), a related party of our Group. Saifu Juli, our subsidiary holding our interest in Cellularforce, also pledged its equity interest in Cellularforce to Taizhou Huacheng as counter-security. Mr. Qiu also provided a personal guarantee to one of the banks. The guarantee provided by our related parties—Taizhou Huacheng and Mr. Qiu—will be released before the [**REDACTED**].

The secured bank loan bears interest at floating rates ranging from 4.8% to 5.0% per annum during the Track Record Period, which was determined based on the Loan Prime Rate announced by the People's Bank of China. In addition, we paid initial fees of RMB17.6 million to compensate the banks for arranging the loan facility. The initial fees were deferred and treated as an adjustment to the loan's effective interest rate and recognized as an expense over the period of the loan facility.

As of December 31, 2021 and 2022 and May 31, 2023, the carrying amount of this secured bank loan was RMB288.9 million, RMB277.1 million and RMB279.6 million, respectively, which is represented by the net present value of all of our future cash repayments discounted at effective interest rate from 6.02% to 6.77% per annum.

We are subject to certain customary restrictive covenants under our secured bank loan. For example, we are prohibited from merger, spin-off, pledge, mortgage or transfer of material assets or reduction of registered capital without the prior consent of majority of the banks, or declaration of dividends. Our Directors confirm that we had not defaulted in the repayment of our bank loans and other borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors have confirmed that, as of the Latest Practicable Date, there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of payments for machinery and equipment, construction in progress, other equipment, furniture and fixtures and intangible assets. We funded our capital expenditure requirements during the Track Record Period mainly from bank loans and the [**REDACTED**] Investments. The following table sets forth our capital expenditures for the periods indicated.

	Year ended December 31,		Five months ended May 31,	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(Renminbi in thousands)			
Machinery and equipment	9,527	12,700	3,708	215
Construction in progress	44,451	6,643	5,479	2,261
Other equipment, furniture and fixtures	3,997	771	–	312
Intangible assets	964	2,653	281	–
Total	58,939	22,767	9,468	2,788

As we completed construction of our manufacturing facility in Taizhou, we expect our capital expenditures to decrease in 2023, which will primarily consist of expenses for procurement of additional equipment, machinery, furniture and other fixtures. We plan to finance such expenditures using our available cash. We may reallocate the funds to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL COMMITMENTS

As of December 31, 2021 and 2022 and May 31, 2023, we had capital commitments contracted for but not yet provided of RMB6.7 million, RMB3.3 million and RMB2.9 million, respectively, primarily in connection with contracts entered into with suppliers in relation to the purchase of equipment for and construction of our manufacturing facility in Taizhou.

CONTINGENT LIABILITIES

As of May 31, 2023, we did not have any contingent liabilities. Our Directors confirm that there had been no material change in our contingent liabilities since May 31, 2023 and up to the Latest Practicable Date.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks and other financial risks, including cash flow and fair value interest rate risk, credit risk, liquidity risk and currency risk, as set out below. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. For further details, including relevant sensitivity analysis, see note 26 in the Accountants' Report set out in Appendix I of this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to other receivables. Our exposure to credit risk arising from cash and cash equivalents and wealth management products is limited because the counterparties are reputable banks or financial institution, for which we consider to have low credit risks.

Our management has assessed that, during the Track Record Period, other receivables had not had a significant increase in credit risk since initial recognition. Thus, our management adopts a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date. Our management expects the occurrence of losses from non-performance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial. The expected credit loss rate is insignificant and close to zero.

Liquidity Risk

Individual operating entities with our Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by our Shareholders when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively. We regularly review our strategy on interest rate risk management in the light of the prevailing market condition.

Currency Risk

We are exposed to currency risk primarily through deposits with bank which give rises to cash balances that are denominated in a foreign currency, *i.e.*, a currency other than the functional currency of the operations to which the transactions relate. The currency primarily relevant to this risk is the U.S. dollars.

KEY FINANCIAL RATIO

	As of December 31,		As of May 31,
	2021	2022	2023
Current ratio(1)	9.3	5.2	4.0

Note:

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

Our current ratio decreased from 9.3 as of December 31, 2021 to 5.2 as of December 31, 2022, mainly attributable to an increase of RMB45.6 million in interest-bearing borrowings primarily attributable to (i) a reclassification of RMB29.7 million from the non-current portion to the current portion of our secured bank loan of RMB300.0 million obtained in January 2020 and (ii) short-term bank loans of RMB15.9 million obtained in March and May 2022 to fund our working capital needs.

Our current ratio decreased from 5.2 as of December 31, 2022 to 4.0 as of May 31, 2023, mainly attributable to a decrease of RMB270.3 million in our financial assets at fair value through profit or loss as we reduced purchasing of wealth management products in the five months ended May 31, 2023, which outpaced the increase in cash and cash equivalents of only RMB150.6 million, as we spent cash to support our daily operations in the five months ended May 31, 2023.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

We had the following material transactions during the Track Record Period with related parties.

	Year ended December 31,		Five months ended May 31,	
	2021	2022	2022	2023
			(unaudited)	
	(Renminbi in thousands)			
Trade related:				
Reimbursement received from collaboration agreements	18,868	—	—	—
Rendering of services	—	283	101	—
Procurement of services	—	598	—	897
Non-trade related:				
Loans repaid by a related party	100,000	—	—	—
Loans to a related party	100,000	—	—	—
Interest income from loans to a related party	3,600	—	—	—
Payment on behalf of the Group	69	51	38	—

Reimbursement Received From Collaboration Agreements

In August 2020, we entered into a strategic cooperation agreement (the "QX001S Agreement") with Zhongmei Huadong, a subsidiary of Huadong Medicine, with regard to the joint development and exclusive commercialization of QX001S in mainland China. Under the QX001S Agreement, we received a milestone payment of RMB20.0 million in July 2021 after we completed the sample production of QX001S for a Phase III clinical trial and have, upon a consultation with the CDE, obtained consent to proceed with such trial, which was deducted from our research and development expenses upon achieving the development milestone. For details of the collaboration agreement, see "Business—Collaboration with Zhongmei Huadong."

Loans to a Related Party

In January 2021, we provided a short-term loan of RMB100.0 million to Taizhou Huawei Investment Ltd. (泰州華威投資有限公司) ("Taizhou Huawei"), a subsidiary of Taizhou Huacheng Medical Investment Group Co., Ltd. (泰州華誠醫學投資集團有限公司), with an expected yield at 7.0% per annum. Taizhou Huawei is principally engaged in the business of investment management, asset management and infrastructure development. Taizhou Huawei is ultimately controlled by the Management Committee of Taizhou Medical New & Hi-tech Industrial Development Zone (泰州醫藥高新技術產業開發區管理委員會), a PRC governmental body. Given that this is a short-term secured loan with reasonable interest rate, we provided such loan to better utilize our cash on hand. The loan was fully settled in July 2021.

According to the General Lending Provisions (貸款通則) promulgated by the PBOC, only financial institutions may legally engage in the business of extending loans, and loans between non-financial institutions are prohibited. The PBOC may impose a fine of one to five times of the income, or the interests, from the loan advancing activities between companies. However, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "Private Lending Interpretations"), the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates, are satisfied and there is no violation of relevant provisions of laws and regulations. Our PRC Legal Advisors are of the view that the terms of our loan to Taizhou Huawei are compliant with relevant PRC legal requirements and are not in violation with the relevant provisions of laws and regulations. As of the Latest Practicable Date, the loan had been fully settled and no administrative action, fine or penalty had been imposed by the PBOC regarding such loan. Therefore, our PRC Legal Advisors are of the view that the risk that we would be subject to any penalty with respect to such interest-bearing loan pursuant to the General Lending Provisions by the relevant regulatory authorities is remote. Hence, we have not made any provision in respect of potential penalties. In addition, we have revised our treasury policy and do not plan to provide similar interest-bearing loans to related parties nor third parties going forward.

All of our non-trade balances had been settled as of May 31, 2023. Our Directors are of the view that the transactions with related parties were conducted on an arm's-length basis.

DIVIDENDS

No dividend was paid or declared by our Company during the Track Record Period. The determination of whether to pay a dividend and in which amount are based on factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in a shareholders' meeting. Under PRC law and the Articles of Association, the statutory common reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. In view of our accumulated losses, as advised by our PRC Legal Advisors, we shall not declare or pay dividend until the accumulated losses are covered by our after-tax profits and sufficient statutory common reserve are drawn in accordance with the relevant laws and regulations.

DISTRIBUTABLE RESERVES

As of May 31, 2023, we did not have any distributable reserves.

PROPERTY INTERESTS AND PROPERTY VALUATION

Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has valued our property interests as of August 31, 2023 and is of the opinion that the aggregate market value of the property in which we had an interest as of such date was RMB288.7 million, and the value attributable to our Group was RMB190.6 million. The full text of the letter, summary of valuation and valuation certificates with regard to our property interests are set out in "Appendix III—Property Valuation Report" to this document.

The statement below shows the reconciliation of aggregate amounts of certain properties reflected in the audited consolidated financial information as of May 31, 2023 as set out in "Appendix I—Accountants' Report" to this document with the valuation of these properties as of August 31, 2023 as set out in "Appendix III—Property Valuation Report" to this document.

	(RMB'000)
Net book value of the following properties as of May 31, 2023	
Buildings	220,367
Land use right	20,333
Net valuation surplus	48,033
Valuation of properties of the Group as of August 31, 2023 as set out in the Property Valuation Report in Appendix III to this Document	288,733

[**REDACTED**]

Our [**REDACTED**] include [**REDACTED**], professional fees and other fees incurred in connection to the [**REDACTED**] and the [**REDACTED**]. [**REDACTED**] to be borne by us are estimated to be approximately RMB[**REDACTED**] (HK$[**REDACTED**]), constituting approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], and assuming no Shares are issued pursuant to the [**REDACTED**]. The [**REDACTED**] include fees and expenses of the Sole Sponsor and [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the [**REDACTED**] of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) of approximately RMB[**REDACTED**], fees and expenses of legal advisors and accountants of approximately RMB[**REDACTED**] and other fees and expenses of approximately RMB[**REDACTED**], primarily including fees and expenses of internal control consultant, financial printer, industry consultant and background search agent. During the Track Record Period, we incurred a total of RMB[**REDACTED**] (HK$[**REDACTED**]) in [**REDACTED**], among which RMB[**REDACTED**] (HK$[**REDACTED**]) was recognized in our consolidated statement of profit or loss, and RMB[**REDACTED**] (HK$[**REDACTED**]) was directly attributable to the issue of our Shares to the public and will be deducted from equity upon the [**REDACTED**]. We estimate that we will incur additional [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), of which approximately RMB[**REDACTED**]

(HK$[**REDACTED**]) is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] (HK$[**REDACTED**]) is directly attributable to the issue of our shares to the public and will be deducted from equity upon the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited *pro forma* statement of adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible liabilities of our Group attributable to equity shareholders of the Company as of May 31, 2023 as if the [**REDACTED**] had taken place on that date.

The unaudited *pro forma* statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of our Company had the [**REDACTED**] been completed as of May 31, 2023 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2023(1)	**Estimated [REDACTED] from the [REDACTED](2)(4)**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	524,516	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	524,516	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2023 is calculated based on the consolidated total equity attributable to equity shareholders of the Company RMB527,274,000 million as of May 31, 2023 after deduction of intangible assets of RMB2,758,000 million, as extracted from the Accountants' Report as set out in Appendix I in this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the issuance of [**REDACTED**] Shares at estimated [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the minimum [**REDACTED**]) or HK$[**REDACTED**] per [**REDACTED**] (being the maximum [**REDACTED**]), after deduction of the [**REDACTED**] fees and related [**REDACTED**] payable by the Group (excluding [**REDACTED**] that have been accounted for prior to May 31, 2023) and does not take into account any Shares that may be issued upon the exercise of [**REDACTED**].

(3) The unaudited *pro forma* adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments as described in note (2) on the basis that [**REDACTED**] Shares were in issue, assuming that the [**REDACTED**] had been completed on May 31, 2023 without taking account of any shares that may be issued upon the exercise of the [**REDACTED**].

(4) The estimated [**REDACTED**] from the [**REDACTED**] and the unaudited *pro forma* adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per Share are converted into or from Renminbi at a rate of HK$1 to RMB[0.9175], being the exchange rate set by PBOC prevailing on [September 23], 2023. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or *vice versa*, at that rate.

(5) No adjustment has been made to the unaudited pro forma statement of adjusted net tangible assets to reflect any trading results or other transactions we entered into subsequent to May 31, 2023.

(6) Our property interests as at August 31, 2023 have been valued by Asia-Pacific Consulting and Appraisal Limited, an independent valuer. The relevant property valuation report is set out in Appendix III to this document. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. Revaluation surplus has not been recorded in our historical financial information and will not be recorded in our consolidated financial statements in the future periods as our property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in our financial statements, additional annual depreciation and amortization of approximately RMB1,601,000 would be charged against the profit in the future periods.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since May 31, 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial information included in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.