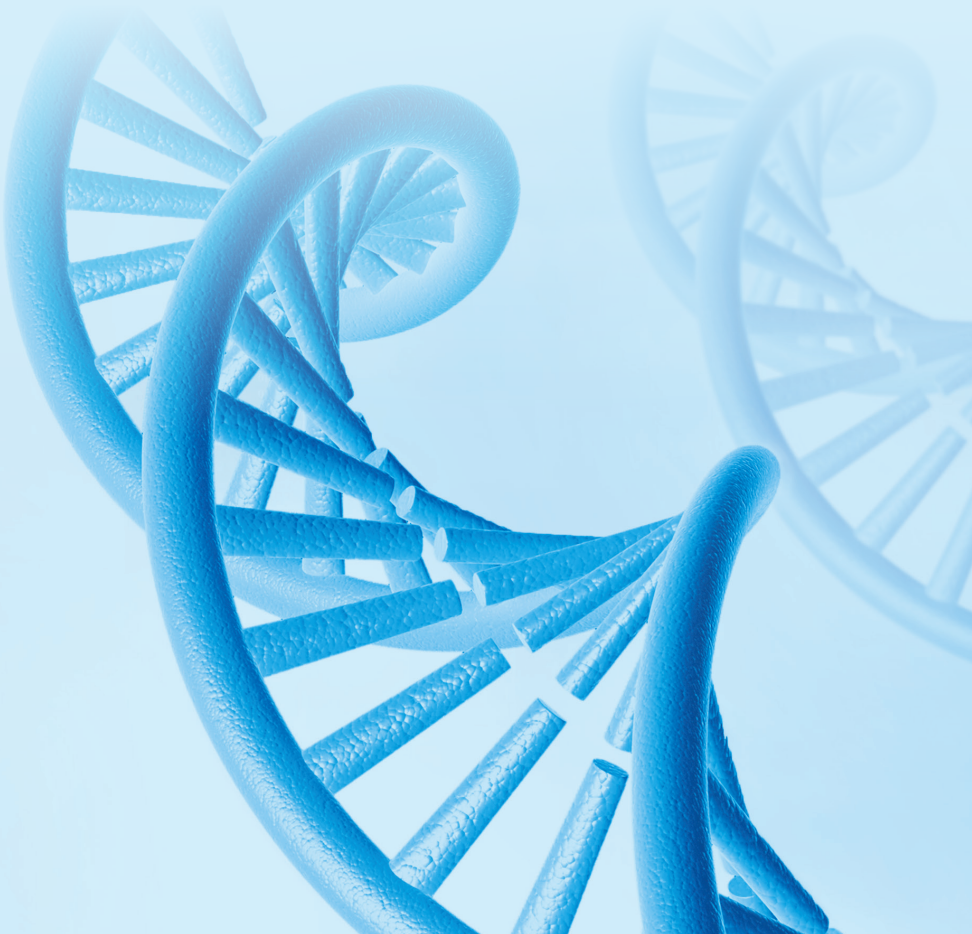
# 信達生物製藥
# Innovent Biologics, Inc.

(Incorporated in the Cayman Islands with limited liability)
( 於開曼群島註冊成立之有限公司 )
Stock Code 股份代號 : 1801

# 2019
# INTERIM REPORT
# 中期報告



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# Company Profile

## Overview

Our mission is to create a world-class China-based biopharmaceutical company that develops and commercialises high quality innovative drugs that are affordable to ordinary people. During the first half of 2019, we continued to make significant progress with our drug pipeline and business operations and moved closer to completing our mission. On 9 March 2019, after more than seven years of meticulous research and development, we commenced sales of our lead drug product Tyvyt® (sintilimab injection), and have achieved strong commercial success. The successful launch of our first commercial product has propelled us to the commercial phase of the business cycle and has unleashed the full power of our fully-integrated multi-function platform for the discovery, development, manufacture and commercialization of innovative drugs in a variety of therapeutic areas. Leveraging this platform, we continue to strengthen and develop our pipeline products while upholding global standards in every aspect of our business operations.

Sales of our Tyvyt® (sintilimab injection) generated RMB331.6 million in revenue less than four months since the commercial launch date of 9 March 2019 through 30 June 2019. Meanwhile, we also achieved significant progress with respect to our other pipeline products. We have expanded our pipeline to include 21 innovative assets in the fields of oncology, metabolic diseases and other major therapeutic areas, encompassing both biologics and small molecules and formulating a staggered product launching plan.

In addition to our strong product pipeline, we believe we are well-positioned to capture tremendous market opportunities with scalable commercial and manufacturing capabilities. Our second manufacturing facilities, housing six 3,000L stainless steel bioreactors, which completed GMP commissioning and validation, will increase our total production capacity to 21,000L and will provide us with additional capacity to support commercial production as well as clinical trials of our drug products.

Meanwhile, our team increased to 1,445 members as of 30 June 2019, providing all-rounded talent and expertise in our drug development efforts. To pursue our mission, we are continuously committed to innovation in drug development, full integration of our multi-functional platform, strict adherence to global quality standards, and sincere promotion of our high-quality drug products to more patients in need.

## Pipeline

Leveraging our fully-integrated platform and through collaborations with global strategic partners, we have built up a robust pipeline of 21 innovative assets in the fields of oncology, metabolic diseases and other major therapeutic areas, encompassing both biologics and small molecules and formulating a staggered product launching plan.

Among the innovative assets in our pipeline, Tyvyt® (sintilimab injection) has been approved for the treatment of patients with relapsed/refractory classical Hodgkin's lymphoma ("r/r cHL") and has achieved a successful commercial launch; sixteen assets have entered into clinical development; three NDAs for IBI-305 (bevacizumab biosimilar), IBI-303 (adalimumab biosimilar) and IBI-301 (rituximab biosimilar), respectively, have been accepted and received priority review status from the NMPA; we have made progress in eight registration pivotal clinical trials of Tyvyt® (sintilimab injection); we have completed a phase II clinical trial and will initiate a phase III clinical trial for IBI-306 (novel anti-PCSK9 monoclonal antibody); ten clinical trials have completed first patient dosing, including trials for innovative drug candidates IBI-318 (first-in-class anti-PD-1/anti-PD-L1 bispecific antibody), IBI-302 (first-in-class anti-VEGF/anti-complement bispecific fusion protein), IBI-188 (novel anti-CD47 monoclonal antibody), and IBI-101 (novel anti-OX40 monoclonal antibody), etc.; IBI-315 (novel anti-PD-1/anti-Her2 bispecific antibody), co-developed with Hanmi Pharmaceutical Co., Ltd. ("Hanmi"), IBI-326 (a novel fully-human anti-B cell maturation antigen ("BCMA") chimeric antigen receptor ("CAR") T cell therapy), co-developed by us and Nanjing IASO Biotherapeutics ("IASO BIO") and IBI-110 (novel anti-LAG-3 monoclonal antibody) have received IND approval from NMPA; we have submitted to the NMPA for three small molecules, IBI-375 (pemigatinib, novel FGFR inhibitor), IBI-376 (parsaclisib, novel PI3Kδ inhibitor) and IBI-377 (itacitinib, novel JAK1 inhibitor), in-licensed from Incyte and all of them have been accepted by the NMPA; IBI-362 (oxyntomodulin analog, OXM3), potentially global best-in-class clinical-stage molecule for diabetes, in-licensed from Eli Lilly, has been added to our pipeline, strategically enhancing the drug offering of the Company in the metabolic disease therapeutic area.

# Company Profile

The following chart summarizes the China development status of our pipeline drug assets as of the date of this interim report:

| | Candidate/ Reference Drug | Target(s) | Therapeutic Area: Disease Indications | Commercial Rights | Status (China): Pre-clinical / IND (Filed) / IND (Accepted) / Phase 1 / Phase 2 / Phase 3 / NDA / Launched |
|---|---|---|---|---|---|
| Lilly | sintilimab (IBI-308) | PD-1 | Oncology: r/r Hodgkin's lymphoma, 1L and 2L melanoma, refractory gastrointestinal cancers, 2L NSCLC, 2L esophageal cancer, 1L and 2L squamous NSCLC, 1L non-squamous NSCLC, r/r NK/T-cell lymphoma, 2L ESCC, 1L gastric cancer, solid tumors, and esophageal carcinoma, etc. | Worldwide[1] | NDA approved: Dec 24, 2018 |
| | IBI-303 (adalimumab biosimilar) | TNF-alpha | Autoimmune: rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, ulcerative colitis and psoriasis | Worldwide | NDA filed: Nov 2018 |
| | IBI-305 (bevacizumab biosimilar) | VEGF-A | Oncology: r/r NSCLC and metastatic CRC | Worldwide | NDA filed: Jan 2019 |
| Lilly | IBI-301 (rituximab biosimilar) | CD20 | Oncology: non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid | Worldwide[1] | NDA filed: Jun 2019 |
| Incyte | IBI-377 (Itacitinib) | JAK1 | Graft versus host disease (phase 3 in the US) | Mainland China, HK, Taiwan, Macau | |
| Incyte | IBI-375 (Pemigatinib) | FGFR1/2/3 | Cholanglocarcizoma, urothelial cancer (phase 3 in the US) | Mainland China, HK, Taiwan, Macau | |
| Incyte | IBI-376 (Parsaclisib) | PI3Kδ | NHL (phase 2 in the US) | Mainland China, HK, Taiwan, Macau | |
| | IBI-306 | PCSK9 | Metabolic: homozygous familial hyperlipidemia; statin intolerant high CV risk patients | Mainland China, HK, Taiwan | IND approved: Sep 2017 |
| Lilly | IBI-362 | OXM3 | Metabolic: diabetes | Mainland China, HK, Taiwan, Macau | |
| | IBI-310 | CTLA-4 | Oncology: melanoma and renal cell carcinoma | Worldwide | IND approved: Feb 2018 |
| | IBI-101 | OX40 | Oncology: advanced solid tumors, hepatitis B | Worldwide | IND approved: Jun 2018 |
| | IBI-188 | CD47 | Oncology: B -cell lymphoma, ovarian cancer, colorectal cancer | Worldwide | IND approved: Aug 2018 |
| Lilly | IBI-318 | PD-1/PD-L1 | Oncology: advanced tumors (undisclosed target) | Mainland China, HK, Macau | IND approved: Feb 2019 |
| | IBI-302 | VEGF/Complement proteins | Ophthalmology: wet AMD | Worldwide | IND approved: Dec 2016 |
| | IBI-110 | LAG-3 | Oncology: NSCLC, melanoma, mBrCA, advanced tumors | Worldwide | IND approved: July 2019 |
| Hanmi | IBI-315 | PD-1/HER2 | Oncology: Her2 + cancers, mBrCA, gastric cancer, NSCLC | Worldwide | IND approved: July 2019 |
| | IBI-326 | BCMA-CART | Oncology: relapsed/refractory multiple myeloma | Worldwide | IND approved: Sep 2019 |
| Lilly | IBI-319 | PD-1/ undisclosed target | Oncology: advanced tumors (undisclosed target) | Mainland China, HK, Macau | |
| | IBI-322 | PD-L1/CD47 | Oncology: PD-L1/CD47 coexpressing tumors, M1 macrophage signature tumors | Worldwide | |
| | IBI-939 | TIGIT | Oncology: advanced solid tumors | Worldwide | |
| | IBI-323 | LAG-3/PD-L1 | Oncology: PD-L1+ tumors with "hot tumor" phenotype | Worldwide | |

Biologics · Small molecules · Clinical progress in the U.S.

Note:

1. We and Eli Lilly will co-promote sintilimab (IBI-308) and rituximab (IBI-301) in China

Abbreviations: r/r = relapsed/refractory; 2L = second-line; 1L = first-line; NK/T-cell lymphoma = natural killer/T-cell lymphoma; ESCC = esophageal squamous cell carcinoma; NSCLC = non-small cell lung cancer; EGFR = epidermal growth factor receptor; TKI = tyrosine kinase inhibitor.

In addition to developing the innovative drug assets in our pipeline in China, several of our products have obtained IND approvals from the U.S. FDA and have started clinical trials in the U.S., including IBI-188 (novel anti-CD47 antibody) and IBI-318 (first-in-class novel anti-PD-1/anti-PD-L1 bispecific antibody), both in phase I clinical trials; Tyvyt® (sintilimab injection), in a phase Ib clinical trial; IBI-110 (novel anti-LAG-3 monoclonal antibody), with IND approval from the FDA.

# Corporate Information

## Board of Directors

### Executive Directors

Dr. De-Chao Michael Yu
*(Chairman of the Board and Chief Executive Officer)*
Mr. Ronald Hao Xi Ede

### Non-Executive Director

Mr. Shuyun Chen

### Independent Non-Executive Directors

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen

## Audit Committee

Ms. Joyce I-Yin Hsu *(Chairman)*
Mr. Shuyun Chen
Dr. Kaixian Chen

## Remuneration Committee

Ms. Joyce I-Yin Hsu *(Chairman)*
Dr. De-Chao Michael Yu
Dr. Kaixian Chen

## Nomination Committee

Dr. De-Chao Michael Yu *(Chairman)*
Dr. Charles Leland Cooney
Dr. Kaixian Chen

## Strategy Committee

Dr. De-Chao Michael Yu *(Chairman)*
Mr. Ronald Hao Xi Ede
Mr. Shuyun Chen
Dr. Charles Leland Cooney

## Joint Company Secretaries

Ms. Yanju Wang
Ms. Lok Yee Chan

## Authorised Representatives

Mr. Ronald Hao Xi Ede
Ms. Lok Yee Chan

## Auditor

Deloitte Touche Tohmatsu
*Certified Public Accountants*
35/F One Pacific Place
88 Queensway Admiralty
Hong Kong

# Corporate Information

## Registered Office

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Hong Kong

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Shanghai 200041
PRC

*As to Cayman Islands law*
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
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## Compliance Advisor

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181 Queen's Road Central
Hong Kong

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PO Box 1093
Boundary Hall
Cricket Square
KY1-1102
Cayman Islands

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## Hong Kong Branch Share Registrar

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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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Central
Hong Kong

China Construction Bank
Suzhou Industrial Park Subbranch
CSSD Building, No. 158 Wangdun Road
Suzhou Industrial Park
215028 China

## Stock Code

1801

## Company Website

www.innoventbio.com

# Financial Highlights

## IFRS Measures:

- **Total revenue** for the six months ended 30 June 2019 was RMB345.5 million, including RMB331.6 million attributable to sales of Tyvyt® (sintilimab injection), which is the Group's first commercial drug product and commenced sales on 9 March 2019, as compared to total revenue of RMB4.4 million for the six months ended 30 June 2018. The successful launch of Tyvyt® (sintilimab injection) has propelled us to the commercial phase of the business cycle and has unleashed the full power of our fully-integrated multi-function platform for the discovery, development, manufacture and commercialization of innovative drugs in a variety of therapeutic areas.

- **Gross profit margin** was 88.1% for the six months ended 30 June 2019, reflecting the ability of the Company to produce Tyvyt® (sintilimab injection) with consistent quality, even at its initial phase of commercial production.

- **Research and development expenses** increased by RMB250.7 million to RMB670.7 million for the six months ended 30 June 2019 from RMB420.0 million for the six months ended 30 June 2018. The increase was primarily attributable to (i) the milestone payment of RMB164.4 million we made to Incyte pursuant to its collaboration and license agreement with us due to the IND filed with the NMPA of China, and (ii) increased clinical trial expenses as more of our drug candidates progressed into late-stage clinical development in the first half of 2019.

- **Selling and marketing expenses** increased by RMB269.5 million to RMB279.6 million for the six months ended 30 June 2019, from RMB10.1 million for the six months ended 30 June 2018. The increase was primarily due to the successful commercial launch of Tyvyt® (sintilimab injection) in the first half of 2019.

- **Loss and total comprehensive expenses** increased by RMB656.8 million to RMB714.4 million for the six months ended 30 June 2019, from RMB57.6 million for the six months ended 30 June 2018. The increase was mainly attributable to (i) a one-time, non-cash adjustment of RMB448.8 million on recognized fair value gain of preferred shares in the six months ended 30 June 2018 as required under the IFRS, and (ii) the increase of the adjusted loss and total comprehensive expenses in the amount of RMB203.2 million primarily due to the increase in research and development expenses and selling and marketing expenses, partially offset by the sales of Tyvyt® (sintilimab injection).

# Financial Highlights

## Non-IFRS Measure:

- Adjusted loss and total comprehensive expenses for the period represents the loss and total comprehensive expenses for the period excluding the effect brought by share-based compensation expenses and certain non-cash items and one-time events, namely the loss on fair value changes of preferred shares (other financial liabilities measured at fair value through profit or loss). The term adjusted loss and total comprehensive expenses for the period is not defined under the IFRS. The table below sets forth a reconciliation of the loss and total comprehensive expenses for the period to adjusted loss and total comprehensive expenses for the period during the periods indicated:

| | Six Months Ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Loss and total comprehensive expenses for the period | **(714,406)** | (57,596) |
| Added: | | |
| Gain on changes in fair value of preferred shares | **–** | (448,797) |
| Share-based compensation expenses | **46,767** | 41,975 |
| Adjusted loss and total comprehensive expenses for the period | **(667,639)** | (464,418) |

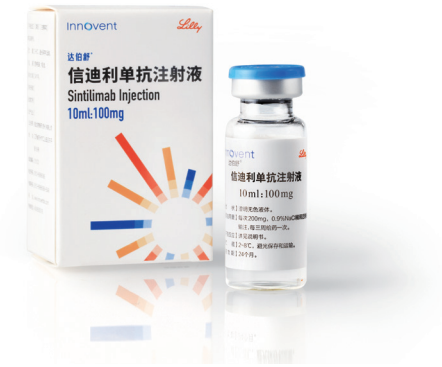
# Business Highlights

During the six months ended 30 June 2019, we continued to make significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

## Commercialized Product and Related Late-stage Clinical Development

- Tyvyt® (sintilimab injection), our innovative anti-PD-1 monoclonal antibody co-developed with Eli Lilly was granted approval by the NMPA for the treatment of r/r cHL in December 2018. We commenced sales of Tyvyt® (sintilimab injection) on 9 March 2019 and, as of 30 June 2019, recorded revenue of RMB331.6 million.

  – Tyvyt® (sintilimab injection) has been listed into the 2019 Guidelines of the Chinese Society of Clinical Oncology (the "CSCO") for Lymphoid Malignancies.




  – We are conducting more than 20 clinical studies for sintilimab injection to evaluate its safety and efficacy in a wide variety of cancer indications, including eight registration or pivotal clinical trials. Three of these trials, evaluating sintilimab injection in second-line squamous non-small cell lung cancer ("NSCLC") (ORIENT-3), first-line squamous NSCLC (in combination with gemcitabine and platinum, ORIENT-12) and first-line non-squamous NSCLC (in combination with pemetrexed and platinum, ORIENT-11), respectively, have completed patients enrollment.

  – We have completed first patient dosing in (i) a phase III clinical trial (ORIENT-15) to evaluate sintilimab injection, in combination with paclitaxel and cisplatin, as first-line treatment in patients with advanced, recurrent or metastatic esophageal squamous cell carcinoma, (ii) a phase III clinical trial (ORIENT-16) to evaluate sintilimab injection, in combination with capecitabine and oxaliplatin, as first-line treatment for patients with advanced, recurrent or metastatic gastric or gastroesophageal junction adenocarcinoma, (iii) a phase II/III clinical trial (ORIENT-32) to evaluate sintilimab injection, in combination with our IBI-305 (bevacizumab biosimilar), as first-line treatment for patients with advanced hepatocellular carcinoma, and (iv) a phase III clinical trial (ORIENT-31) to evaluate sintilimab injection with or without IBI-305 (bevacizumab biosimilar), in combination with pemetrexed and cisplatin in patients with EGFR-mutant locally advanced or metastatic non-squamous NSCLC who have progressed from prior treatment with epidermal growth factor receptor tyrosine kinase inhibitor ("EGFR-TKI").

  – We entered into collaboration agreements with Shenzhen Chipscreen Biosciences Co., Ltd. ("Chipscreen Biosciences") and Shenogen Pharma Group Ltd. ("Shenogen") respectively to evaluate Tyvyt® (sintilimab injection) in combination with Chipscreen Biosciences' and Shenogen's respective products in China.

  – Key clinical results of Tyvyt® (sintilimab injection) in r/r cHL (ORIENT-1) were published in *The Lancet Haematology* and featured as a cover story.

  – We presented a key results update of six clinical studies of Tyvyt® (sintilimab injection) at the 55th Annual Meeting of the American Society of Clinical Oncology (the "ASCO"), including oral presentation of the results from the study of sintilimab injection in relapsed/refractory extranodal natural killer (NK)/T cell lymphoma (ORIENT-4).

# Business Highlights

## Other Late-stage Clinical Development

- **IBI-303** (adalimumab biosimilar):
  - We have submitted a NDA to the NMPA for IBI-303 for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis, which was accepted on 12 November 2018, and was subsequently granted priority review status on 6 March 2019 by the NMPA.
  - The results from the pivotal study of IBI-303 was published in *The Lancet Rheumatology*, that is the first China based phase III report of biosimilar appears in the first-tier medical journal.
- **IBI-305** (bevacizumab biosimilar):
  - We have submitted an NDA to the NMPA for IBI-305 for the treatment of metastatic colorectal cancer and advanced, metastatic or recurrent NSCLC, which was accepted on 28 January 2019, and subsequently granted priority review status on 29 April 2019 by the NMPA.
  - We also presented the clinical efficacy and safety results of IBI-305 compared with bevacizumab in advanced, first-line, non-squamous NSCLC patients at the 55$^{th}$ Annual Meeting of the ASCO.
- **IBI-301** (rituximab biosimilar): We have submitted an NDA to the NMPA for IBI-301 for the treatment of non-Hodgkin's lymphoma ("NHL"), which was accepted on 27 June 2019, and subsequently granted priority review status on 16 August 2019 by the NMPA.
- **IBI-306** (novel anti-PCSK9 monoclonal antibody): We have completed a phase II clinical trial of IBI-306 in Chinese patients with hypercholesterolemia and are about to enter a phase III clinical trial in China for the same disease indication.

## Early-stage Key Products Development

- **IBI-376** (parsaclisib), a novel PI3Kδ inhibitor in-licensed from Incyte, has an IND application accepted by the NMPA. This product candidate is in three phase II studies in patients with relapsed or refractory marginal zone lymphoma, follicular lymphoma, and mantle cell lymphoma in the U.S..
- **IBI-375** (pemigatinib), a novel FGFR inhibitor in-licensed from Incyte, has an IND application accepted by the NMPA. This product candidate is in phase II and phase III studies investigating safety and efficacy across several FGFR-driven malignancies in the U.S., and Incyte is expecting to submit an application seeking initial U.S. marketing approval before the end of 2019.
- **IBI-377** (itacitinib), a novel JAK1 inhibitor in-licensed from Incyte, has an IND application accepted by the NMPA. This product candidate is in a phase III study for the first-line treatment of patients with acute graft-versus-host disease in the U.S..
- **IBI-188**, a novel anti-CD47 monoclonal antibody, has achieved first patient dosing in a phase I clinical trial in patients with advanced malignancies both in China and the U.S..
- **IBI-302**, a first-in-class anti-VEGF/anti-complement bispecific fusion protein, has achieved first patient dosing in a phase I clinical trial in patients with a type of age-related macular degeneration ("AMD"), also called wet AMD, in China.
- **IBI-318**, a first-in-class, novel anti-PD-1/anti-PD-L1 bispecific antibody under co-development with Eli Lilly, has achieved first patient dosing in a phase I clinical trial in patients with advanced malignancies in China.

# Business Highlights

- **IBI-101**, a novel anti-OX40 monoclonal antibody, has achieved first patient dosing in a phase Ia study as monotherapy and a phase Ib study in combination with Tyvyt® (sintilimab injection) in patients with advanced solid tumors in China.

- **IBI-315**, a novel anti-PD-1/anti-Her2 bispecific antibody, co-developed with Hanmi, has received IND approval from the NMPA.

- **IBI-110**, a novel anti-LAG-3 monoclonal antibody, has received IND approval from the NMPA.

- **IBI-326**, a novel fully-human anti-BCMA CAR-T cell therapy, co-developed by us and IASO BIO has received IND approval from the NMPA.

  – We also presented the clinical results of IBI-326 (previously designated as CT103A) for the treatment of relapsed/refractory multiple myeloma ("RRMM") by oral presentation and poster at two of the most prestigious clinical meetings in the worlds of hematology and oncology, the 24th Congress of the European Hematological Society (the "EHA") and the ASCO Annual Meeting 2019 in Chicago, Illinois. The data of IBI-326 presented at both conferences shows impressive efficacy results, persistence and safety profile and an objective response rate ("ORR") of 100%.

- **IBI-362**, an oxyntomodulin analog, OXM3, is a potentially global best-in-class clinical-stage molecule for diabetes that we in-licensed from Eli Lilly in order to strategically enhance the Company's drug offering in the metabolic disease therapeutic area.

## Manufacturing Facilities

- Three 1,000L bioreactors supported our production of Tyvyt® (sintilimab injection) and other product candidates in our pipeline, and achieved 100% production success rate.

- Our second manufacturing facilities, housing six 3,000L stainless steel bioreactors, which have completed GMP commissioning and validation, will increase our total production capacity to 21,000L and will provide us with additional capacity to support commercial production as well as clinical trials of our drug products.

## Other Highlights

- Our successful initial public offering (the "IPO") in October 2018 and stellar aftermarket trading performance earned us the International Financing Review (IFR) Asia-Pacific IPO of the Year award and the IFR Asia Review Hong Kong Equity Issue of the Year award, as well as the 10th Anniversary China Healthcare Investment Conference ("CHIC") "IPO of the Year" award.

- We have substantially expanded our patent portfolio. As of the date of this interim report, we owned 21 issued patents and 48 patent applications in China, 4 issued patents and 7 patent applications in the U.S., and 19 issued patents and 97 patent applications in the rest of the world relating to our products and technologies. These patent applications included 32 international patent application under the Patent Cooperation Treaty, or PCT.

There has not been any material change in respect of the business of the Group since the publication of the latest annual report of the Group.

For details of any of the foregoing, please refer to the rest of this report and, where applicable, the Company's prior announcements published on the websites of the Stock Exchange and the Company.

# Management Discussion and Analysis

## Business Review

During the first half of 2019, we have met our investors' expectations by continuing to make significant progress with respect to our drug pipeline and business operations, while upholding global standards in every aspect of our business operations, including the following milestones and achievements.

### Commercialized Product and Related Late-stage Clinical Development

- Tyvyt® (sintilimab injection), our first commercialized product, an innovative anti-PD-1 monoclonal antibody co-developed with Eli Lilly, and a recipient of grants for the "National Major New Drug Innovation and Development Projects" program, has been approved for the treatment of r/r cHL by the NMPA. Its sales was launched on 9 March 2019 and has achieved strong commercial success. Sales of Tyvyt® (sintilimab injection) generated RMB331.6 million in revenue less than four months since the commercial launch date of 9 March 2019 through 30 June 2019. The successful launch of Tyvyt® (sintilimab injection) has propelled us to the commercial phase of the business cycle and has unleashed the full power of our fully-integrated multi-function platform for the discovery, development, manufacture and commercialization of innovative drugs in a variety of therapeutic areas.

  – We are simultaneously conducting more than 20 clinical studies for sintilimab injection to evaluate its safety and efficacy in a wide variety of cancer indications, including eight registration or pivotal clinical trials. The tested cancer types include but are not limited to second-line squamous NSCLC (ORIENT-3), first-line squamous NSCLC (in combination with gemcitabine and platinum, ORIENT-12), first-line non-squamous NSCLC (in combination with pemetrexed and platinum, ORIENT-11), EGFR-mutant locally advanced or metastatic non-squamous NSCLC after prior failed treatment with EGFR-TKI (ORIENT-31), first-line hepatocellular carcinoma (ORIENT-32), first-line gastric cancer (ORIENT-16), and first-line esophageal carcinoma (ORIENT-15). We have completed three of these clinical trials of sintilimab injection, evaluating sintilimab injection in second-line squamous NSCLC (ORIENT-3), first-line squamous NSCLC (in combination with gemcitabine and platinum, ORIENT-12) and first-line non-squamous NSCLC (in combination with pemetrexed and platinum, ORIENT-11). We have completed first patient dosing in (i) a phase III clinical trial (ORIENT-15) to evaluate sintilimab in combination with paclitaxel and cisplatin, as first-line treatment in patients with advanced, recurrent or metastatic esophageal squamous cell carcinoma; (ii) a phase III clinical trial (ORIENT-16) to evaluate sintilimab in combination with capecitabine and oxaliplatin, as first-line treatment for patients with advanced, recurrent or metastatic gastric or gastroesophageal junction adenocarcinoma; (iii) a phase II/III clinical trial (ORIENT-32) to evaluate sintilimab in combination with IBI-305 (bevacizumab biosimilar), as first-line treatment for patients with advanced hepatocellular carcinoma; and (iv) a phase III clinical trial (ORIENT-31) to evaluate sintilimab with or without IBI-305 (bevacizumab biosimilar), in combination with pemetrexed and cisplatin in patients with EGFR-mutant locally advanced or metastatic non-squamous NSCLC who have progressed from prior treatment with EGFR-TKI.

  – To further develop and optimize the value of sintilimab injection in combination therapies, we entered into (i) a collaboration agreement with Chipscreen Biosciences to evaluate the combination therapy of sintilimab injection and IBI-305 (bevacizumab biosimilar) with Chipscreen Biosciences' Chidamide in advanced colorectal cancer patients in China; and (ii) a collaboration agreement with Shenogen to evaluate the combination therapy of sintilimab with Shenogen's SNG1005, in patients with advanced cancer in China.

# Management Discussion and Analysis

– Sintilimab injection has earned substantial academic prestige. With significant efficacy, safety and tolerance, the key clinical results of Tyvyt® (sintilimab injection) in r/r cHL were published in *The Lancet Haematology* and featured as a cover story in January 2019. In addition, CSCO included Tyvyt® (sintilimab injection) in its 2019 Guidelines for Lymphoid Malignancies. In the 55th Annual Meeting of the ASCO at the end of May and the beginning of June of 2019, we presented key results of six clinical studies of sintilimab injection either orally or by posters/abstracts, including (i) the results for relapsed/refractory extranodal NK/T cell lymphoma (ORIENT-4), (ii) the results of extended follow-up on sintilimab injection for r/r cHL (ORIENT-1), (iii) the preliminary results of sintilimab injection in combination with chemotherapy for first-line advanced or metastatic NSCLC, (iv) the preliminary efficacy and safety results of neoadjuvant PD-1 blockade with sintilimab in resectable squamous NSCLC, (v) the results of circulating tumor DNA (ctDNA) for predicting response and resistance by anti-PD-1 therapy in Chinese patients with r/r cHL, and (vi) the preliminary efficacy and safety results of sintilimab in combination with CAPOX in first-line gastric or gastroesophageal junction carcinoma (GC/GEJC).

The following chart summarizes the current clinical development programs for sintilimab:

| | | Status | | | | | |
|---|---|---|---|---|---|---|---|
| | | Phase 1 | | | | | |
| Indication[1,2,3] | Mono-/Combo-Therapy (Other Components) | 1a | 1b | Phase 2 | Phase 3 | NDA Filed | NDA Approved |
| China | | | | | | | |
| r/r Classical Hodgkin's Lymphoma | Mono | | | | | | ● |
| 2L Classical Hodgkin's Lymphoma | Combo (ICE) | | | | ◕ | | |
| 2L Squamous NSCLC | Mono | | | | ◕ | | |
| 1L Squamous NSCLC | Combo (gemcitabine and platinum) | | | | ◕ | | |
| 1L Non-squamous NSCLC | Combo (pemetrexed and platinum) | | | | ◕ | | |
| EGFR+ TKI Failure NSCLC | Combo (IBI-305) | | | | ◐ | | |
| 1L Hepatocellular Carcinoma | Combo (IBI-305) | | | | ◐ | | |
| 1L Gastric Cancer | Combo (capecitabine and oxaliplatin) | | | | ◐ | | |
| 1L Esophageal Carcinoma | Combo (paclixel and cisplatin) | | | | ◐ | | |
| 2L ESCC | Mono | | | ◐ | | | |
| r/r NK/T-cell Lymphoma | Mono | | ◐ | | | | |
| 2L NSCLC | Mono | | ◐ | | | | |
| 1L/2L Melanoma | Mono | | ◐ | | | | |
| Refractory Gastrointestinal Cancer | Mono | | ◐ | | | | |
| 2L Neuroendocrine Tumor | Mono | | ◐ | | | | |
| 1L Squamous NSCLC | Combo (gemcitabine and cisplatin) | | ◐ | | | | |
| 1L Gastric Cancer | Combo (capecitabine and oxaliplatin) | | ◐ | | | | |
| Refractory Solid Tumors | Mono | ◐ | | | | | |
| U.S. | | | | | | | |
| Solid Tumors | Mono | | ◐ | | | | |
| Late Stage Endometrial Carcinoma | Mono | | ◐ | | | | |

Notes:

1. Abbreviations: r/r = relapsed/refractory; 2L = second-line; 1L = first-line; NK/T-cell lymphoma = natural killer/T-cell lymphoma; ESCC = esophageal squamous cell carcinoma; NSCLC = non-small cell lung cancer; EGFR = epidermal growth factor receptor; TKI = tyrosine kinase inhibitor.

2. Symbols: ● = completed; ◕ = completed patient enrollment; ◑ = in progress; ◴ = to be initiated within next quarter.

3. Some indications may not require every clinical trial indicated on this chart to be completed prior to the filing of an NDA.

# Management Discussion and Analysis

## Other Late-stage Clinical Development

- **IBI-303** (adalimumab biosimilar, anti-TNF-α monoclonal antibody):
  - We have submitted an NDA to the NMPA for IBI-303 for the treatment of rheumatoid arthritis, ankylosing spondylitis and psoriasis, which was accepted on 12 November 2018, and was subsequently granted priority review status on 6 March 2019 by the NMPA.
  - The results from the pivotal study of IBI-303 was published in *The Lancet Rheumatology*, that is the first China based phase III report of biosimilar appears in the first-tier medical journal.
- **IBI-305** (bevacizumab biosimilar, anti-VEGF monoclonal antibody):
  - We have submitted an NDA to the NMPA for IBI-305 for the treatment of metastatic colorectal cancer and advanced, metastatic or recurrent NSCLC, which was accepted on 28 January 2019, and subsequently granted priority review status on 29 April 2019 by the NMPA.
  - We also presented the clinical efficacy and safety results of IBI-305 compared with bevacizumab in advanced, first-line, non-squamous NSCLC patients at the 55th Annual Meeting of the ASCO.
- **IBI-301** (rituximab biosimilar), an anti-CD20 monoclonal antibody co-developed with Eli Lilly, met pre-defined primary endpoints in two randomized clinical trials comparing IBI-301 to rituximab, namely a phase III clinical trial (CIBI301A301) in patients with diffuse large B-cell lymphoma (DLBCL) and a pharmacokinetic ("PK") study (CIBI301A201) in patients with CD20-positive B-cell lymphoma. Our NDA for IBI-301 for the treatment of NHL was accepted by the NMPA on 27 June 2019, and was granted priority review status on 16 August 2019.

We believe that our biosimilar products (IBI-303, IBI-305 and IBI-301) will offer high-quality and affordable alternatives to patients in China.

- **IBI-306** (novel anti-PCSK9 monoclonal antibody), our other late-stage drug candidate, we have completed a phase II clinical trial in Chinese patients with hypercholesterolemia and are about to enter a phase III clinical trial in China for the same disease indication.

# Management Discussion and Analysis

## Early-stage Key Products Development

We continuously develop the early-stage drug candidates in our pipeline so as to achieve IND approval and clinical development, and we have achieved significant progress, including the following:

- **IBI-376** (parsaclisib), a novel PI3Kδ inhibitor in-licensed from Incyte, has an IND application accepted by the NMPA. This product candidate is in three phase II studies in patients with relapsed or refractory marginal zone lymphoma, follicular lymphoma, and mantle cell lymphoma in the U.S..

- **IBI-375** (pemigatinib), a novel FGFR inhibitor in-licensed from Incyte, has an IND application accepted by the NMPA. This product candidate is in phase II and phase III studies investigating safety and efficacy across several FGFR-driven malignancies in the U.S., and Incyte is expecting to submit an application seeking initial U.S. marketing approval before the end of 2019.

- **IBI-377** (itacitinib), a novel JAK1 inhibitor in-licensed from Incyte, has an IND application accepted by the NMPA. This product candidate is in a phase III study for the first-line treatment of patients with acute graft-versus-host disease in the U.S..

- **IBI-188**, a novel anti-CD47 monoclonal antibody, has achieved first patient dosing in a phase I clinical trials in patients with advanced malignancies both in China and the U.S..

- **IBI-302**, a first-in-class anti-VEGF/anti-complement bispecific fusion protein, has achieved first patient dosing in a phase I clinical trial in patients with wet AMD in China.

- **IBI-318**, a first-in-class anti-PD-1/anti-PD-L1 bispecific antibody, developed in collaboration with Eli Lilly, has achieved first patient dosing in a phase I clinical trial in patients with advanced malignancies in China.

- **IBI-101**, a novel anti-OX40 monoclonal antibody, has achieved first patient dosing in a phase Ia study as monotherapy and a phase Ib study in combination with Tyvyt® (sintilimab injection) in patients with advanced solid tumors in China.

- **IBI-315**, a novel anti-PD-1/anti-Her2 bispecific antibody, co-developed with Hanmi, has received IND approval from the NMPA.

- **IBI-110**, a novel anti-LAG-3 monoclonal antibody, has received IND approval from the NMPA.

- **IBI-326**, a novel fully-human anti-BCMA CAR-T cell therapy, co-developed by us and IASO BIO, has an IND approved by the NMPA. We presented the clinical results of IBI-326 (previously designated as CT103A) for the treatment of RRMM by oral presentation and poster at two of the most prestigious clinical meetings in the worlds of hematology and oncology, the 24th Congress of EHA and the ASCO Annual Meeting 2019 in Chicago, Illinois. The data of IBI-326 presented at both conferences showed an impressive efficacy results, persistence and safety profile and an ORR of 100%.

- **IBI-362**, an oxyntomodulin analog, OXM3, is a potentially global best-in-class clinical stage molecule for diabetes we in-licensed from Eli Lilly, in order to strategically enhance the Company's drug offering in the metabolic disease therapeutic area. Diabetes is recognized as the world's fastest growing chronic condition. There are a greater number of diabetic patients in China than any other country in the world, and we hope to develop OXM3 as a potentially innovative treatment that could address the significant unmet medical needs of overweight/obese type 2 diabetes patients in China.

# Management Discussion and Analysis

## Manufacturing Facilities

As one of our important development strategies, we have always strived to invest in and build our own high-quality large-scale manufacturing facilities that comply strictly with global standards.

- In the first half of 2019, our three 1,000L bioreactors, which commenced operation in 2014, supported our production of Tyvyt® (sintilimab injection) and other product candidates in our pipeline, achieved 100% production success rate.

- Our second manufacturing facilities, housing six 3,000L stainless steel bioreactors, have completed GMP commissioning and validation. This expansion has increased our total production capacity to 21,000L, becoming one of the largest manufacturing capacity in China and providing us with additional capacity to support commercial production as well as clinical trials of our drug products. Leveraging our manufacturing capacity, we anticipate further lowering the cost of production and increasing our productivity, while all in compliance with global quality standards, and allowing us take a big step forward towards completing our mission "to deliver affordable and high-quality drugs to our patients".

- Meanwhile, we are planning to further expand our manufacturing facilities to provide sufficient capacity commensurate with our growing and maturing drug pipeline and to support our continued business expansions.

## Other Highlights

- Our successful IPO in October 2018 and stellar aftermarket trading performance earned us the International Financing Review (IFR) Asia-Pacific IPO of the Year award and the IFR Asia Review Hong Kong Equity Issue of the Year award, as well as the 10th Anniversary CHIC "IPO of the Year" award.

- We have substantially expanded our patent portfolio. As of the date of this interim report, we owned 21 issued patents and 48 patent applications in China, 4 issued patents and 7 patent applications in the United States, and 19 issued patents and 97 patent applications in the rest of the world relating to our products and technologies. These patent applications included 32 international patent application under the Patent Cooperation Treaty, or PCT.

- There has not been any material change in respect of the business of the Group since the publication of the latest annual report of the Group.

## Events after the Reporting Period

For a description of significant events after the Reporting Period, please refer to the Business Highlights section of this interim report, note 22 to the condensed consolidated financial statements in this interim report and the Company's prior announcements published on the websites of the Stock Exchange and the Company after 30 June 2019.

# Management Discussion and Analysis

## Future Development

We will continue our unwavering quest to build a world-class China-based biopharmaceutical company that develops and commercializes high quality innovative drugs that are affordable to ordinary people. We will continue to roll out the commercialization of our Tyvyt® (sintilimab injection) for the remainder of 2019. We expect that the strong sales momentum we have created during the first approximately four months of sales of Tyvyt® (sintilimab injection) will continue for the remainder of 2019 and beyond. Our newly built additional manufacturing facilities have completed GMP commissioning and validation and will deliver sufficient manufacturing capacity to support our growing production needs and continued business expansions.

In the meantime, we will continue to prepare the commercialization of our late-stage pipeline assets after receipt of marketing approvals, and to rapidly advance both ongoing and planned clinical programs for our pipeline products both in China and in the U.S. We will seek both expedited regulatory review of our upcoming NDAs and ultimately marketing approvals. We will cooperate with partners around the world who share our vision and will spare no efforts to fulfill people's shared dream of combating diseases and living a better life.

**Cautionary Statement required under Rule 18A.08(3) of the Listing Rules**: We may not be able to ultimately develop and market our Core Drug Candidates successfully.

## Financial Review

### Six Months Ended 30 June 2019 Compared to Six Months Ended 30 June 2018

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Revenue from contracts with customers | **345,517** | 4,436 |
| Cost of sales | **(40,952)** | – |
| Gross profit | **304,565** | 4,436 |
| Other income | **55,956** | 7,892 |
| Other gains and losses | **(9,765)** | 498,966 |
| Research and development expenses | **(670,700)** | (420,040) |
| Administrative expenses | **(78,110)** | (73,108) |
| Selling and marketing expenses | **(279,618)** | (10,094) |
| Listing expenses | **–** | (32,740) |
| Finance costs | **(36,734)** | (32,908) |
| Loss and total comprehensive expenses for the period | **(714,406)** | (57,596) |
| ***Non-IFRS measure:*** | | |
| Adjusted loss and total comprehensive expenses for the period | **(667,639)** | (464,418) |

# Management Discussion and Analysis

## 1. Overview

For the six months ended 30 June 2019, the Group recorded revenue from contracts with customers of RMB345.5 million, including sales of pharmaceutical products of RMB331.6 million attributable to the successful launch of Tyvyt® (sintilimab injection) as its first commercial drug product in March 2019, as compared with RMB4.4 million for the six months ended 30 June 2018, and the loss and total comprehensive expenses of RMB714.4 million, as compared with RMB57.6 million for the six months ended 30 June 2018.

The research and development expenses of the Group increased by RMB250.7 million to RMB670.7 million for the six months ended 30 June 2019 as compared with RMB420.0 million for the six months ended 30 June 2018, primarily due to (i) the milestone payment of RMB164.4 million incurred under its collaboration and license agreement with Incyte and (ii) increased expenses incurred for additional clinical trials and research and development activities as more drug candidates transitioned into clinical trial stage in the first half of 2019. The selling and marketing expenses increased by RMB269.5 million to RMB279.6 million for the six months ended 30 June 2019 as compared with RMB10.1 million for the six months ended 30 June 2018, primarily due to the significant expansion of the sales and marketing department from 23 employees as of 30 June 2018 to 408 employees as of 30 June 2019, the marketing efforts related to the proposal on Tyvyt® (sintilimab injection)'s entry into the national reimbursement drug list, and the launch of more marketing activities for the commercialisation of Tyvyt® (sintilimab injection) in the first half of 2019. The administrative expenses were RMB78.1 million for the six months ended 30 June 2019, as compared with RMB73.1 million for the six months ended 30 June 2018.

The adjusted loss and total comprehensive expenses of the Group was RMB667.6 million for the six months ended 30 June 2019, representing an increase of RMB203.2 million from RMB464.4 million for the six months ended 30 June 2018, primarily due to the increase in research and development expenses and selling and marketing expenses, partially offset by the sales of Tyvyt® (sintilimab injection).

## 2. Revenue

For the six months ended 30 June 2019, the Group generated revenue from contracts with customers of RMB345.5 million. The Group generates revenue from (i) sales of pharmaceutical products; (ii) license fee income; and (iii) the research and development services provided to its customers. The following table sets forth the components of the revenue from contracts with customers for the periods presented:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| Revenue from contracts with customers: | | |
| Sales of pharmaceutical products | **331,630** | – |
| License fee income | **10,939** | – |
| Research and development service fee income | **2,948** | 4,436 |
| Total revenue from contracts with customers | **345,517** | 4,436 |

# Management Discussion and Analysis

For the sales of pharmaceutical products, revenue is recognised when control of the goods has transferred to the customers. As the Group's lead drug Tyvyt® (sintilimab injection), an anti-PD-1 monoclonal antibody co-developed with Eli Lilly, received marketing approval in China in December 2018, the Group commenced marketing and sales of Tyvyt® (sintilimab injection) as its first commercial drug product in March 2019. During the six months ended 30 June 2019, the Group recorded revenue from sales of Tyvyt® (sintilimab injection) of RMB331.6 million, while no such revenue was recorded for the six months ended 30 June 2018.

The license fee income was recognised over time after the customer receives and consumes the benefits during the commercialisation stage of drug products. Under the Exclusive License and Collaboration Agreement for China and Co-Development Agreement entered into between the Group and Eli Lilly in March 2015 (the "Lilly China Agreement"), the Group received upfront payment for development and manufacturing of drug products, including Tyvyt® (sintilimab injection) and IBI-301 (rituximab biosimilar), and collaboration fees on development cost sharing, which would be recognised as revenue over time after Eli Lilly receives benefits during the commercialization stage of the relevant drug products. After the Group officially launched Tyvyt® (sintilimab injection), the Group commenced to recognise the license fee income under the Lilly China Agreement. During the six months ended 30 June 2019, the Group recorded license fee income of RMB10.9 million, while no such revenue was recorded for the six months ended 30 June 2018.

Research and development revenue was recognised in accordance with the completion percentage of the services over the period. During the six months ended 30 June 2019, the Group continued to generate revenue under research and development agreements with customers and received non-refundable upfront and milestone payments of RMB9.1 million, which would be recognised in accordance with the completion percentage of relevant services. For the six months ended 30 June 2019, the research and development revenue decreased by RMB1.5 million, or 33.5%, to RMB2.9 million from RMB4.4 million for the six months ended 30 June 2018.

## 3. Cost of Sales

The Group's cost of sales consists of cost of direct labor, manufacturing cost and raw material and manufacturing overhead related to the production of the products sold. For the six months ended 30 June 2019, the Group recorded cost of sales of RMB41.0 million attributable to the production costs of Tyvyt® (sintilimab injection), while no such cost was recorded for the six months ended 30 June 2018.

## 4. Other Income

The Group's other income consists of bank interest income and government grants income. Government grants consist of (i) government subsidies specifically for the capital expenditure related to the purchase of plant and machinery, which is recognised over the useful life of related assets, and (ii) incentive and other subsidies for research and development activities and interest subsidies, which are recognised upon the fulfillment of certain conditions set by the government.

For the six months ended 30 June 2019, the other income of the Group increased by RMB48.1 million to RMB56.0 million, from RMB7.9 million for the six months ended 30 June 2018. The increase was primarily due to the interest earned on the proceeds of the Company's IPO on the Stock Exchange and the increase in the government grant attributable to more research and development activities of the Group that are eligible for government subsidies.

## 5. Other Gains and Losses

The Group's other gains and losses consist of unrealised gains and losses related to (i) changes in foreign currency exchange rates, (ii) fair value changes of wealth management plans (financial assets mandatorily measured at fair value through profit or loss), and (iii) fair value changes of preferred shares (other financial liabilities measured at fair value through profit or loss).

For the six months ended 30 June 2019, other gains and losses of the Group decreased by RMB508.8 million to a loss of RMB9.8 million from a gain of RMB499.0 million for the six months ended 30 June 2018, primarily due to RMB448.8 million of gain on the fair value changes of preferred shares recognised in the first half of 2018 while no such gain was recorded for the six months ended 30 June 2019.

# Management Discussion and Analysis

## 6. Research and Development Expenses

The Group's research and development expenses, including on the Group's four core drug candidates (i.e. Tyvyt® (sintilimab injection), IBI-305 (bevacizumab biosimilar), IBI-301 (rituximab biosimilar) and IBI-303 (adalimumab biosimilar), collectively the "Core Drug Candidates"), primarily consisted of:

- third-party contracting costs incurred under agreements with consultants, contract research organisations, and clinical trial sites that conduct research and development activities on the Group's behalf;
- costs associated with purchasing raw materials for research and development of the Group's drug candidates;
- employee salaries and related benefit costs, including share-based compensation expenses, for research and development personnel;
- payment of license fees pursuant to collaboration agreements and/or license agreements; and
- expenses associated with inspection and maintenance of facilities, depreciation and amortisation expenses, travel expenses, insurance, utilities and other supplies used in research and development activities.

The following table sets forth the components of the Group's research and development expenses for the period indicated:

| | **Six months ended 30 June** | | Changes | |
|---|---|---|---|---|
| | **2019** | 2018 | | |
| | **RMB'000** | RMB'000 | RMB'000 | % |
| | **(unaudited)** | (audited) | | |
| Third-party Contracting Costs | **244,298** | 173,060 | 71,238 | 41.2 |
| Raw material | **75,992** | 114,509 | (38,517) | (33.6) |
| Staff Costs | **112,461** | 68,331 | 44,130 | 64.6 |
| Depreciation and Amortization | **15,474** | 29,593 | (14,119) | (47.7) |
| License Fee | **198,227** | 1,695 | 196,532 | 11,594.8 |
| Other | **24,248** | 32,852 | (8,604) | 26.2 |
| **Total research and development expenses** | **670,700** | 420,040 | 250,660 | 59.7 |

For the six months ended 30 June 2019, the research and development expenses of the Group increased by RMB250.7 million, or 59.7%, to RMB670.7 million from RMB420.0 million for the six months ended 30 June 2018. The increase was primarily attributable to (i) the milestone payments of RMB164.4 million and RMB27.7 million incurred under the collaboration and license agreements with Incyte and Adimab, LLC, respectively, and (ii) increased expenses incurred for additional clinical trials and research and development activities as more drug candidates transitioned into clinical trial stage in the first half of 2019.

# Management Discussion and Analysis

## 7. Administrative Expenses

For the six months ended 30 June 2019, the administrative expenses of the Group slightly increased by RMB5.0 million, or 6.8%, to RMB78.1 million from RMB73.1 million for the six months ended 30 June 2018, which is caused by the increase in administrative staff costs.

## 8. Selling and Marketing Expenses

Selling and marketing expenses of the Group consisted of salaries and other expenses such as benefits, travel and share-based compensation expenses for selling and marketing personnel, and the expenses of marketing and promotion activities.

For the six months ended 30 June 2019, the selling and marketing expenses of the Group increased by RMB269.5 million to RMB279.6 million from RMB10.1 million for the six months ended 30 June 2018. The increase was primarily due to the significant expansion in headcount of the sales and marketing department from 23 employees as of 30 June 2018 to 408 employees as of 30 June 2019 due to the commercialisation of Tyvyt® (sintilimab injection), the marketing efforts related to the proposal on Tyvyt® (sintilimab injection)'s entry into the national reimbursement drug list and the launch of more marketing activities for the commercialisation of Tyvyt® (sintilimab injection) in the first half of 2019.

## 9. Listing Expenses

For the six months ended 30 June 2018, the Group recognised one-off listing expenses of RMB32.7 million incurred in connection with the IPO and listing of the Company's shares on the Stock Exchange on 31 October 2018. No such expenses was recognised for the six months ended 30 June 2019.

## 10. Finance Costs

Finance costs include interest on the Group's bank borrowings, interest arising from a contract containing a significant financing component and interest expenses on lease liabilities.

For the six months ended 30 June 2019, the finance costs of the Group increased by RMB3.8 million, or 11.6%, to RMB36.7 million from RMB32.9 million for the six months ended 30 June 2018. This increase was primarily due to the increase in the average balance of the payments that we have received in advance from Eli Lilly in connection with the commercialisation license so far pursuant to the Lilly China Agreement, which governs the development and commercialisation activities concerning Tyvyt® (sintilimab injection) and IBI-301 (rituximab biosimilar). In accordance with IFRS, revenue from the Lilly China Agreement will commence to be recognised over time once the customers receive and consume the benefits during the commercialisation stage. During the six months ended 30 June 2019, the Group received collaboration fee on development cost sharing of approximately RMB141.0 million, as compared to RMB74.2 million for the six months ended 30 June 2018. Since the period between the transfer of license and customer's payments was, at contract inception, expected to be more than one year, the Group concluded that the contract contains a significant financing component and determined to use a return rate of 11% in adjusting for the effect of time value of money over the promised amount of consideration, and the interest expenses so recognised during the six months ended 30 June 2019 was RMB24.0 million, and was RMB20.5 million during the six months ended 30 June 2018. Both consideration received and interest expenses recognised are recorded under contract liabilities at the end of each reporting period.

## 11. Loss for the Reporting Period

As a result of the above factors, the loss of the Company increased by RMB656.8 million to RMB714.4 million for the six months ended 30 June 2019 from RMB57.6 million for six months ended 30 June 2018.

# Management Discussion and Analysis

## 12. Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss and total comprehensive expenses for the period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Company's management.

Adjusted loss and total comprehensive expenses for the period represents the loss and total comprehensive expenses for the period excluding the effect of certain non-cash items and one-time events, namely the gain on fair value changes of preferred shares (other financial liabilities measured at fair value through profit or loss) and share-based compensation expenses. The term adjusted loss and total comprehensive expenses for the period is not defined under the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and it should not be considered in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures reflect the Group's normal operating results by eliminating impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

The table below sets forth a reconciliation of the loss and total comprehensive expenses for the period to adjusted loss and total comprehensive expenses for the period during the periods indicated:

| | Six Months Ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Loss and total comprehensive expenses for the period | **(714,406)** | (57,596) |
| Added: | | |
| Gain on changes in fair value of preferred shares | **–** | (448,797) |
| Share-based compensation expenses | **46,767** | 41,975 |
| Adjusted loss and total comprehensive expenses for the period | **(667,639)** | (464,418) |

### Selected Data from Statement of Financial Position

| | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| | **RMB'000 (unaudited)** | RMB'000 (audited) |
| Total current assets | **4,049,269** | 4,686,261 |
| Total non-current assets | **1,555,815** | 1,426,316 |
| **Total assets** | **5,605,084** | 6,112,577 |
| Total current liabilities | **673,463** | 670,321 |
| Total non-current liabilities | **1,403,101** | 1,247,842 |
| **Total liabilities** | **2,076,564** | 1,918,163 |
| **Net current assets** | **3,375,806** | 4,015,940 |

# Management Discussion and Analysis

## 13. Liquidity and Source of Funding and Borrowing

As at 30 June 2019, the Group's cash and cash equivalents decreased by RMB3,243.1 million to RMB1,281.8 million from RMB4,524.9 million as at 31 December 2018. The decrease primarily resulted from the increase in additional clinical trials and research and development activities, the increase in selling and marketing activities, as well as placement of term deposits with maturity dates over three months.

As at 30 June 2019, the current assets of the Group were RMB4,049.3 million, including bank balances and cash of RMB3,431.0 million and other current assets of RMB618.3 million. As at 30 June 2019, the current liabilities of the Group were RMB673.5 million, including trade payables of RMB60.4 million, contract liabilities of RMB38.5 million, other payables and accrued expenses of RMB556.5 million and borrowings of RMB11.0 million and lease liabilities of RMB7.1 million. As at 30 June 2019, the Group had available unutilised short-term bank loan facilities of approximately RMB113.0 million, as compared to RMB128.0 million as at 31 December 2018.

## 14. Key Financial Ratios

The following table sets forth the key financial ratios for the dates indicated:

| | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| Current ratio[1] | **6.0** | 7.0 |
| Quick ratio[2] | **5.7** | 6.9 |
| Gearing ratio[3] | **NM[3]** | NM[3] |

Notes:

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

2 Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.

3 Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing borrowings less cash equivalents was negative.

## 15. Material Investments

The Group did not make any material investments during the six months ended 30 June 2019.

## 16. Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the six months ended 30 June 2019.

## 17. Pledge of Assets

As at 30 June 2019, the Group had total RMB586.1 million of property, plant and equipment and RMB53.5 million of land use rights pledged to secure its loans and banking facilities.

## 18. Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities.

# Management Discussion and Analysis

## 19. Foreign Exchange Exposure

During the six months ended 30 June 2019, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As at 30 June 2019, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. Except for certain bank balances and cash, other receivables, and trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at 30 June 2019. We currently do not have a foreign currency hedging policy as our Directors consider that our foreign exchange risk exposure is minimal. We will consider hedging significant foreign currency exposure if such need arises.

## 20. Employees and Remuneration

As at 30 June 2019, the Group had a total of 1,445 employees. The following table sets forth the total number of employees by function as of 30 June 2019:

| Function | Number of employees | % of total |
|---|---|---|
| Research and Development | 525 | 36.3 |
| Manufacturing | 404 | 28.0 |
| Selling and Marketing | 408 | 28.2 |
| General and Administrative | 108 | 7.5 |
| **Total** | 1,445 | 100 |

The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees employed by the Group varies from time to time depending on need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

The total remuneration cost incurred by the Group for the six months ended 30 June 2019 was RMB326.5 million, as compared to RMB121.4 million for the six months ended 30 June 2018.

The remuneration of the employees of the Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and share-based payment expenses. In accordance with applicable Chinese laws, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for the Group's employees.

The Company also has adopted a Pre-IPO Share Incentive Plan, a Post-IPO ESOP and the RS Plan to provide incentives for the Group's employees. Please refer to the section headed "Equity Plans" in this report for further details.

During the six months ended 30 June 2019, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

## 21. Interim Dividend

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2019.

# Other Information

## Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

As at 30 June 2019, the interests and short positions of the Directors or chief executive of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

| Name of Director | Capacity/Nature of interest | Number of ordinary Shares | Approximate percentage of shareholding[1] |
|---|---|---|---|
| Dr. De-Chao Michael Yu | Beneficial owner | 56,672,843[2](L) | 4.90% |
| | Grantor of the discretionary trust | 10,000,000[3](L) | 0.86% |
| | Interest in a controlled corporation | 90,100,040[4](L) | 7.79% |
| Dr. Charles Leland Cooney | Beneficial owner | 39,090[5](L) | 0.00% |
| Mr. Ronald Hao Xi Ede | Beneficial owner | 10,491,421[6](L) | 0.91% |

Notes:

1. The calculation is based on the total number of 1,156,997,710 Shares in issue as at 30 June 2019.
2. These Shares are directly held by Dr. De-Chao Michael Yu.
3. These Shares are held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. De-Chao Michael Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.
4. These Shares are held by Great Biono Fortune LP, the general partner of which is Great Biono Fortune Limited. Dr. Yu is the sole shareholder of Great Biono Fortune Limited and is therefore deemed to be interested in these Shares for the purposes of the SFO. Of the 90,100,040 Shares held by Great Biono Fortune LP, Dr. De-Chao Michael Yu is beneficially interested in 59,511,000 Shares.
5. These Shares are held by Dr. Charles Leland Cooney.
6. These Shares are held by Great Biono Fortune LP as nominee for Mr. Ronald Hao Xi Ede.
7. (L) – Long position.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations.

# Other Information

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary Shares | Approximate percentage of shareholding[1] |
|---|---|---|---|
| Asia Ventures II L.P. ("Asia Ventures")[2] | Beneficial interest | 60,993,283 | 5.27% |
| Asia Partners II L.P.[2] | Interest in a controlled corporation | 60,993,283 | 5.27% |
| Eight Roads GP[2] | Interest in a controlled corporation | 60,993,283 | 5.27% |
| Eight Roads Investments[2] | Beneficial interest | 288 | 0% |
| | Interest in a controlled corporation | 60,037,041 | 5.19% |
| FIL Limited[2] | Interest in a controlled corporation | 145,804,169 | 12.60% |
| Pandanus Partners L.P.[2] | Interest in a controlled corporation | 145,804,169 | 12.60% |
| Pandanus Associates Inc.[2] | Interest in a controlled corporation | 145,804,169 | 12.60% |
| F-Prime Capital Partners Healthcare Fund II LP ("F-Prime Capital")[3] | Beneficial interest | 62,498,280 | 5.40% |
| F-Prime Capital Partners Healthcare Advisors Fund II LP[3] | Interest in a controlled corporation | 62,498,280 | 5.40% |
| Impresa Fund III Limited Partnership[3] | Beneficial interest/interest in a controlled corporation | 127,251,998 | 11.00% |
| Impresa Management LLC[3] | Interest in a controlled corporation | 127,251,998 | 11.00% |
| Abigail P. Johnson[3] | Trustee | 127,251,998 | 11.00% |
| Edward C. Johnson IV[3] | Trustee | 127,251,998 | 11.00% |
| FMR LLC[3] | Interest in a controlled corporation | 127,251,998 | 11.00% |
| The Capital Group Companies, Inc[4] | Interest in a controlled corporation | 78,277,090 | 6.77% |
| TLS BETA PTE. LTD. ("TLS Beta")[5] | Beneficial interest | 64,482,850 | 5.57% |
| Temasek Life Sciences Private Limited[5] | Interest in a controlled corporation | 75,712,850 | 6.54% |
| Fullerton Management Pte Ltd[5] | Interest in a controlled corporation | 75,712,850 | 6.54% |
| Temasek Holdings (Private) Limited[5] | Interest in a controlled corporation | 75,712,850 | 6.54% |
| Great Biono Fortune LP[6] | Nominee shareholder | 90,100,040 | 7.79% |
| Great Biono Fortune Limited[6] | Interest in a controlled corporation | 90,100,040 | 7.79% |
| Invesco Advisor Inc | Investment Manager | 69,591,500 | 6.01% |
| Dr. De-Chao Michael Yu | Beneficial owner | 56,672,843 | 4.90% |
| | Founder of a discretionary trust | 10,000,000 | 0.86% |
| | Interest in a controlled corporation | 90,100,040 | 7.79% |
| Shi Yi[7] | Interest in a controlled corporation | 59,741,040 | 5.16% |

# Other Information

Notes:

1. The calculation is based on the total number of 1,156,997,710 Shares in issue as at 30 June 2019.

2. FIL Limited is deemed to be interested in the equity interests held by both Asia Ventures and F-Prime Capital, due to (i) its interests in Asia Ventures, as a limited partner and the fact that it is the sole shareholder of Eight Roads GP, the general partner of Asia Partners II L.P., which in turn is the general partner of Asia Ventures; and (ii) its interests in F-Prime Capital as a limited partner. FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc.

   As such, under the SFO, Eight Roads GP is deemed to be interested in the 60,993,283 Shares held by Asia Ventures, and FIL Limited, Eight Roads Investments, Pandanus Partners L.P., and Pandanus Associates Inc. are deemed to be interested in the 123,491,563 Shares held by Asia Ventures and F-Prime Capital.

   In addition, FIL Limited, Pandanus Partners L.P., and Pandanus Associates Inc. are also deemed to be interested in the 17,105,500 Shares held by other entities under their control.

3. Impresa Fund III Limited Partnership is deemed to be interested in the equity interests held by both Asia Ventures and F-Prime Capital, due to its interests in each of Asia Ventures and F-Prime Capital as a limited partner. The general partner of Impresa Fund III Limited Partnership is Impresa Management LLC, which is controlled (as defined under the SFO) by each of Abigail P. Johnson and Edward C. Johnson IV and owned, directly or indirectly, by various shareholders and employees of FMR LLC. Further, the general partner of F-Prime Capital is F-Prime Capital Partners Healthcare Advisors Fund II LP, whose general partner is Impresa Management LLC.

   As such, under the SFO, F-Prime Capital Partners Healthcare Advisors Fund II LP is deemed to be interested in the 64,298,280 Shares held by F-Prime Capital, and Impresa Fund III Limited Partnership, Impresa Management LLC, Abigail P. Johnson, Edward C. Johnson IV and FMR LLC are deemed to be interested in the 123,491,563 Shares held by Asia Ventures and F-Prime Capital.

4. The Capital Group Companies, Inc. is deemed to be interested in the 78,277,090 Shares held by a wholly-owned subsidiary, Capital Research and Management Company, which is deemed to be interested in the 78,277,090 Shares held by Capital Group International, Inc., a wholly-owned subsidiary of Capital Research and Management Company, which is in turn deemed to be interested in the 78,277,090 Shares held by Capital International, Inc., a wholly-owned subsidiary of Capital Group International, Inc..

5. TLS Beta is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 64,482,850 Shares held by TLS Beta.

   In addition, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are also deemed to be interested in the 11,230,000 Shares held by other entities under their control.

6. The general partner of Great Biono Fortune LP is Great Biono Fortune Limited, which holds the interests of Great Biono Fortune LP as to 50% as its general partner. Dr. De-Chao Michael Yu is the sole shareholder of Great Biono Fortune Limited and a limited partner of Great Biono Fortune LP. Under the SFO, each of Great Biono Fortune Limited and Dr. Yu is deemed to be interested in the 90,100,040 Shares held by Great Biono Fortune LP. Of the 90,100,040 Shares held by Great Biono Fortune LP, Dr. Yu is beneficially interested in 59,511,000 Shares.

7. Dr. Shi Yi is deemed to be interested in the 59,741,040 Shares in aggregate held by entities under his control.

8. (L) – Long position.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors or chief executive of the Company whose interests are set out in the section headed “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations” above had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

# Other Information

## Equity Plans

### 1. Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan was approved and adopted pursuant to the written resolutions of all shareholders of the Company dated 10 May 2012 and amended from time to time. The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's shareholders generally.

Further details of the Pre-IPO Share Incentive Plan are set out in the Prospectus and the 2018 annual report of the Company.

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan as at 30 June 2019 are as follows:

| | | | | | Number of options | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name or category of grantee | Date of grant | Option period | Vesting Period | Exercise price | Outstanding as at 1 January 2019 | Exercised during the Period | Cancelled during the Period | Lapsed during the Period | Outstanding as at 30 June 2019 |
| **Other grantees than Directors, senior management and connected persons** | | | | | | | | | |
| In aggregate | Between 10 May 2012 and 9 October 2018 | 10 years from the date of grant | 4 years to 6 years from the date of grant | Between US$0.017 and US$1.342 | 71,910,000 | (3,395,000) | – | (2,225,000) | 66,290,000 |
| **Total** | | | | | 71,910,000 | (3,395,000) | – | (2,225,000) | 66,290,000 |

Note:

(1) The weighted average closing price of the Company's Shares immediately before the dates on which the options were exercised during the period was HK$25.93.

# Other Information

## 2. Post-IPO ESOP

The Post-IPO ESOP was conditionally adopted by the resolutions in writing of the Shareholders on 12 June 2018. The purpose of the Post-IPO ESOP is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO ESOP will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Further details of the Post-IPO ESOP are set out in the Prospectus and the 2018 annual report of the Company.

Details of the movements of the options granted under the Post-IPO ESOP as at 30 June 2019 are as follows:

| | | | | | Number of options | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name or category of grantee | Date of grant | Option period | Vesting Period | Exercise price | Outstanding as at 1 January 2019 | Granted during the Period | Exercised during the Period | Cancelled/ Lapsed during the Period | Outstanding as at 30 June 2019 | Closing price of the Shares immediately before the date of grant |
| **Directors** | | | | | | | | | | |
| Dr. De-Chao Michael Yu | 15 March 2019 | 10 years from the date of grant | 75% shall vest on March 15, 2022; and 25% shall vest on March 15, 2023 | HK$28.30 | – | 4,142,857 | – | – | 4,142,857 | HK$28.45 |
| Mr. Ronald Hao Xi Ede | 15 March 2019 | 10 years from the date of grant | 75% shall vest on March 15, 2022; and 25% shall vest on March 15, 2023 | HK$28.30 | – | 952,381 | – | – | 952,381 | HK$28.45 |
| **Chief Operation Officer** | | | | | | | | | | |
| Dr. Qinwei Zhou | 15 March 2019 | 10 years from the date of grant | 1,142,857 options: 75% shall vest on March 15, 2022; and 25% shall vest on March 15, 2023; 1,481,979 options: 50% shall vest on March 15, 2024; and 50% shall vest on March 15, 2025 | HK$28.30 | – | 2,624,836 | – | – | 2,624,836 | HK$28.45 |
| **Other grantees than Directors, senior management and connected persons** | | | | | | | | | | |
| | 15 March 2019 | 10 years from the date of grant | 740,990 options 50% shall vest on March 15, 2024; and 50% shall vest on March 15, 2025: remaining options: 75% shall vest on March 15, 2022; and 25% shall vest on March 15, 2023 | HK$28.30 | – | 9,539,964 | – | – | 9,539,964 | HK$28.45 |
| | 14 June 2019 | 10 years from the date of grant | 75% shall vest on June 14, 2022; and 25% shall vest on June 14, 2023. | HK$26.25 | – | 965,713 | – | – | 965,713 | HK$26.40 |
| **Total** | | | | | – | 18,225,751 | – | – | 18,225,751 | |

# Other Information

## 3. RS Plan

The RS Plan was approved by the Shareholders on 15 October 2018. The purpose of the RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

55,907,535 Shares will be issued by the Company within two years of the Listing for distribution of Shares corresponding to the restricted shares.

Further details of the RS Plan are set out in the Prospectus and the 2018 annual report of the Company.

As at 30 June 2019, 10,792,881 restricted Shares had been granted or agreed to be granted under the RS Plan. Details of the movements of the restricted Shares granted under the RS Plan as at 30 June 2019 are as follows:

| Name or category of grantee | Date of grant | Held at 1 January 2019 | Granted during the Period | Vested during the Period | Lapsed during the Period | Held at 30 June 2019 | Vesting Period | Closing price at date of grant |
|---|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | | |
| Dr. De-Chao Michael Yu | 2 May 2019 | – | 6,901,796 | – | – | 6,901,796 | 5 years from the date of grant | HK$25.15 |
| **Other grantees than Directors, senior management and connected persons** | | | | | | | | |
| | 2 May 2019 | – | 2,835,085 | – | – | 2,835,085 | 2,732,437 restricted shares: 6 years from the date of grant | HK$25.15 |
| | | | | | | | 102,648 restricted shares: 4 years from the date of grant | |
| | 14 June 2019 | – | 1,056,000 | – | – | 1,056,000 | 4 years from the date of grant | HK$25.90 |
| **Total** | | – | 10,792,881 | – | – | 10,792,881 | | |

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2019.

# Other Information

## Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2019. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the six months ended 30 June 2019.

## Use of Net Proceeds from Global Offering

The Company's shares were listed on the Stock Exchange on 31 October 2018 with a total of 271,802,000 offer shares (including shares issued as a result of the full exercise of the over-allotment option) issued and the net proceeds raised during the global offering were approximately HK$3,645.9 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes depending on actual business needs.

As at 30 June 2019, approximately RMB1,292.5 million of the net proceeds of the global offering had been utilized as follows:

| | Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus HK$ million | Utilization as at 30 June 2019 RMB million |
|---|---|---|
| Fund ongoing and planned clinical trials, preparation for registration filings and commercial launches (including production, sales and marketing) of Tyvyt® (sintilimab injection) | 1,895.9 | 493.8 |
| Fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-305 (bevacizumab biosimilar) | 291.7 | 24.2 |
| Fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-301 (rituximab biosimilar) | 145.8 | 40.6 |
| Fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-303 (adalimumab biosimilar) | 36.5 | 7.3 |
| For the ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in the Group's pipeline | 911.5 | 511.6 |
| For working capital and general corporate purposes | 364.5 | 215.0 |
| **Total** | 3,645.9 | 1,292.5 |

# Other Information

## Audit Committee

The Company has established an Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises three non-executive Directors (including independent non-executive Directors), namely, Ms. Joyce I-Yin Hsu, Mr. Shuyen Chen and Dr. Kaixian Chen. Ms. Joyce I-Yin Hsu, the independent non-executive Director, is the chairman of the Audit Committee.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been reviewed by the Group's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants, and by the Audit Committee. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

## Other Board Committees

In addition to the Audit Committee, the Company has also established a Nomination Committee, a Remuneration Committee and a Strategy Committee.

## Future Plans for Material Investment or Capital Assets

Save as disclosed in this interim report, the Group does not have other plans for material investments and capital assets.

## Changes to Directors' Information

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Corporate Governance Practices

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability. During the six months ended 30 June 2019, the Company has complied with all applicable code provisions set out in the CG Code except for the following deviation.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman of the Board and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have separate chairman of the Board and chief executive officer, and Dr. De-Chao Michael Yu currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ending 31 December 2019.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

## Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the six months ended 30 June 2019. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the six months ended 30 June 2019.

# Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

**TO THE BOARD OF DIRECTORS OF INNOVENT BIOLOGICS, INC.**
*(incorporated in Cayman Islands with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Innovent Biologics, Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 69, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
28 August 2019

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

| | NOTES | Six months ended 30 June 2019 RMB'000 (unaudited) | 2018 RMB'000 (audited) |
|---|---|---|---|
| Revenue from contracts with customers | 4 | **345,517** | 4,436 |
| Cost of sales | | **(40,952)** | – |
| Gross profit | | **304,565** | 4,436 |
| Other income | | **55,956** | 7,892 |
| Other gains and losses | | **(9,765)** | 498,966 |
| Research and development expenses | | **(670,700)** | (420,040) |
| Administrative expenses | | **(78,110)** | (73,108) |
| Selling and marketing expenses | | **(279,618)** | (10,094) |
| Listing expenses | | **–** | (32,740) |
| Finance costs | | **(36,734)** | (32,908) |
| Loss and total comprehensive expenses for the period | 5 | **(714,406)** | (57,596) |
| (Loss) profit and total comprehensive (expenses) income for the period attributable to: | | | |
| Owners of the Company | | **(714,406)** | 43,894 |
| Non-controlling interests | | **–** | (101,490) |
| | | **(714,406)** | (57,596) |
| (Loss) earnings per share | 7 | | |
| – Basic (RMB Yuan) | | **(0.62)** | 0.30 |
| – Diluted (RMB Yuan) | | **(0.62)** | (1.17) |

# Condensed Consolidated Statement of Financial Position

At 30 June 2019

| | NOTES | At 30 June 2019 RMB'000 (unaudited) | At 31 December 2018 RMB'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **1,166,157** | 1,078,053 |
| Right-of-use assets | 9 | **75,169** | – |
| Prepaid lease payments | | **–** | 52,842 |
| Deposits for acquisition of property, plant and equipment | | **63,956** | 45,114 |
| Other receivables and tax recoverables | 11 | **250,533** | 250,307 |
| | | **1,555,815** | 1,426,316 |
| **Current assets** | | | |
| Inventories | | **231,581** | 66,121 |
| Trade receivables | 10 | **178,431** | – |
| Deposits, prepayments and other receivables | 11 | **139,615** | 72,309 |
| Contract assets | 12 | **1,347** | 7,505 |
| Income tax recoverables | | **13,753** | 13,726 |
| Prepaid lease payments | | **–** | 1,248 |
| Other financial assets | 13 | **53,500** | – |
| Bank balances and cash | 14 | **3,431,042** | 4,525,352 |
| | | **4,049,269** | 4,686,261 |
| **Current liabilities** | | | |
| Trade payables | 15 | **60,393** | 42,821 |
| Other payables and accrued expenses | 16 | **556,513** | 600,498 |
| Contract liabilities | | **38,495** | 17,002 |
| Borrowings | 17 | **11,000** | 10,000 |
| Lease liabilities | | **7,062** | – |
| | | **673,463** | 670,321 |
| **Net current assets** | | **3,375,806** | 4,015,940 |
| **Total assets less current liabilities** | | **4,931,621** | 5,442,256 |

# Condensed Consolidated Statement of Financial Position

At 30 June 2019

| | NOTES | At 30 June 2019 RMB'000 (unaudited) | At 31 December 2018 RMB'000 (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Contract liabilities | | **582,488** | 449,887 |
| Borrowings | 17 | **791,000** | 782,000 |
| Government grants | | **14,994** | 15,955 |
| Lease liabilities | | **14,619** | – |
| | | **1,403,101** | 1,247,842 |
| **Net assets** | | **3,528,520** | 4,194,414 |
| **Capital and reserves** | | | |
| Share capital | 18 | **79** | 79 |
| Reserves | | **3,528,441** | 4,194,335 |
| **Total equity** | | **3,528,520** | 4,194,414 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Other reserve RMB'000 (note) | Share-based payment reserve RMB'000 | Accumulated losses RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1 January 2019 (audited) | **79** | **11,751,242** | **(313,652)** | **20,363** | **(7,263,618)** | **4,194,414** | **-** | **4,194,414** |
| (Loss) profit and total comprehensive (expenses) income for the period | **-** | **-** | **-** | **-** | **(714,406)** | **(714,406)** | **-** | **(714,406)** |
| Recognition of equity-settled share based payment | **-** | **-** | **-** | **46,767** | **-** | **46,767** | **-** | **46,767** |
| Vesting of restricted shares | **-** | **324** | **-** | **(324)** | **-** | **-** | **-** | **-** |
| Exercise of share options (note 18f) | **-** | **3,327** | **-** | **(1,582)** | **-** | **1,745** | **-** | **1,745** |
| At 30 June 2019 (unaudited) | **79** | **11,754,893** | **(313,652)** | **65,224** | **(7,978,024)** | **3,528,520** | **-** | **3,528,520** |
| At 1 January 2018 (audited) | 8 | 54,208 | (532,582) | 27,944 | (1,492,126) | (1,942,548) | 320,420 | (1,622,128) |
| (Loss) profit and total comprehensive (expenses) income for the period | – | – | – | – | 43,894 | 43,894 | (101,490) | (57,596) |
| Issuance of ordinary shares (note 18d) | – | 190 | – | – | – | 190 | – | 190 |
| Recognition of equity-settled share based payment | – | – | (8,192) | 41,785 | – | 33,593 | 8,192 | 41,785 |
| Vesting of restricted shares | – | 324 | – | (324) | – | – | – | – |
| Exercise of share options (note 18c) | 6 | 124,046 | – | (60,178) | – | 63,874 | – | 63,874 |
| Effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to the Company's Preferred Shares | – | – | 227,122 | – | – | 227,122 | (227,122) | – |
| At 30 June 2018 (audited) | 14 | 178,768 | (313,652) | 9,227 | (1,448,232) | (1,573,875) | – | (1,573,875) |

Note: Other reserve included 1) effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to the Company's preferred shares; 2) differences between the carrying amounts of net assets attributable to the additional non-controlling interests at the date of issuance of subsidiary's equity and the relevant proceeds received; 3) portion of deemed capital contribution over restricted shares or options granted to employees of subsidiary attributable to non-controlling interests; and 4) effect of exercise of put option granted to non-controlling shareholders.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| OPERATING ACTIVITIES | | |
| Loss for the period | **(714,406)** | (57,596) |
| Adjustments for: | | |
| Loss on disposal of property, plant and equipment | **–** | 3,405 |
| Depreciation of property, plant and equipment | **34,577** | 30,491 |
| Depreciation of right-of-use assets | **4,322** | – |
| Amortisation of prepaid lease payments | **–** | 624 |
| Net foreign exchange gains | **(6,706)** | (51,204) |
| Gain from changes in fair value of wealth management plans (financial assets mandatorily measured at fair value through profit or loss ("FVTPL")) | **(52)** | (2,370) |
| Gain from changes in fair value of other financial liabilities measured at FVTPL | **–** | (448,797) |
| Share-based payment expenses | **46,767** | 41,975 |
| Government grants income | **(961)** | (545) |
| Interest income | **(50,415)** | (6,068) |
| Interest on bank borrowings | **12,201** | 12,430 |
| Interest arising from a contract which contains significant financing component | **23,998** | 20,478 |
| Interest expense on lease liabilities | **535** | – |
| Operating cash flows before movements in working capital | **(650,140)** | (457,177) |
| Decrease (increase) in contract assets | **6,158** | (3,537) |
| Increase in trade receivables | **(178,431)** | – |
| (Increase) decrease in inventories | **(165,460)** | 8,742 |
| Increase in deposits, prepayments and other receivables | **(38,568)** | (62,769) |
| Increase in trade payables | **17,572** | 1,803 |
| (Decrease) increase in other payables and accrued expenses | **(43,465)** | 97,121 |
| Increase in contract liabilities | **130,096** | 73,292 |
| NET CASH USED IN OPERATING ACTIVITIES | **(922,238)** | (342,525) |
| INVESTING ACTIVITIES | | |
| Interest received | **27,011** | 8,069 |
| Placement of term deposits with maturity dates over three months | **(2,150,379)** | (286,362) |
| Release (placement) of pledged term deposits | **498** | (498) |
| Purchase of property, plant and equipment | **(139,982)** | (93,470) |
| Purchase of other financial assets | **(80,000)** | (330,000) |
| Release of term deposits with maturity dates over three months | **1,097** | 260,544 |
| Proceeds on release of other financial assets | **26,500** | 960,446 |
| Proceeds from disposal of property plant and equipment | **–** | 74 |
| Receipt of government grants related to property, plant and equipment | **–** | 6,250 |
| Loan to Hua Yuan International Limited (Note) | **–** | (178,598) |
| Net cash inflow on acquisition of Oriza Xinda International Limited (Note) | **–** | 178,598 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | **(2,315,255)** | 525,053 |

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| FINANCING ACTIVITIES | | |
| Interest paid | **(20,097)** | (14,183) |
| Proceeds from the issue of the Company's preferred shares | **–** | 947,821 |
| New borrowings raised | **15,000** | – |
| Repayment of borrowings | **(5,000)** | 187,000 |
| Repayment of lease liabilities | **(3,473)** | – |
| Payment of transaction costs attributable to issuance of new shares | **–** | (745) |
| Proceeds from exercise of share options | **1,745** | – |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | **(11,825)** | 1,119,893 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(3,249,318)** | 1,302,421 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | **4,524,854** | 183,761 |
| Effects of foreign exchange rate changes | **6,224** | 47,906 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by | **1,281,760** | 1,534,088 |
| Bank balances and cash | **815,526** | 1,534,088 |
| Term deposits with maturity date within three months | **466,234** | – |
| | **1,281,760** | 1,534,088 |

Note: Investing cash flow regarding the loan to Hua Yuan International Limited and acquisition of Oriza Xinda International Limited were related to the Innovent Biologics Inc.'s (the "Company") and its subsidiaries' (collectively known as the "Group") reorganisation before the Company's Initial Public Offering ("IPO").

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 1. Basis of Preparation

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

## 2. Principal Accounting Policies

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

Other than the addition of the accounting policy for revenue recognition of sales of pharmaceutical products as stated below and changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

### Revenue recognition of sales of pharmaceutical products

For sales of pharmaceutical products to customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location. Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, and have the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

### Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by International Accounting Standards Board which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Income Tax Treatments |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2015 – 2017 Cycle |

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods or on the disclosures set out in these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. Principal Accounting Policies (Continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

#### 2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

**Definition of a lease**

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

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

**As a lessee**

*Short-term leases*

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

*Right-of-use assets*

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

a. the amount of the initial measurement of the lease liability;

b. any lease payments made at or before the commencement date, less any lease incentives received;

c. any initial direct costs incurred by the Group; and

d. an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. Principal Accounting Policies (Continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

**As a lessee (Continued)**

*Right-of-use assets (Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

*Refundable rental deposits*

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

*Lease liabilities*

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

The lease payments include:

a. fixed payments (including in-substance fixed payments) less any lease incentives receivable;

b. variable lease payments that depend on an index or a rate;

c. amounts expected to be paid under residual value guarantees;

d. the exercise price of a purchase option reasonably certain to be exercised by the Group; and

e. payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. Principal Accounting Policies (Continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

#### 2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

**As a lessee (Continued)**

*Lease modifications*

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

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

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

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

*Taxation*

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

#### 2.1.2 Transition and summary of effects arising from initial application of IFRS 16

**Definition of a lease**

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. Principal Accounting Policies (Continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

**Definition of a lease (Continued)**

*As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.75%.

| | At 1 January 2019 RMB'000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 26,835 |
| Lease liabilities discounted at relevant incremental borrowing rates | 26,025 |
| Less: Recognition exemption – short-term leases | (955) |
| Lease liabilities as at 1 January 2019 | 25,070 |
| Analysed as | |
| Current | 7,723 |
| Non-current | 17,347 |
| | 25,070 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. Principal Accounting Policies (Continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

**Definition of a lease (Continued)**

*As a lessee (Continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

| | Notes | Right-of-use assets RMB'000 |
|---|---|---|
| Right-of-use assets relating to operating leases recognised upon application of IFRS 16 | | 25,070 |
| Reclassified from prepaid lease payments | (a) | 54,090 |
| Adjustments on rental deposits at 1 January 2019 | (b) | 331 |
| | | 79,491 |
| By class: | | |
| Leasehold lands | | 54,090 |
| Buildings | | 25,401 |
| | | 79,491 |

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,248,000 and RMB52,842,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB331,000 was adjusted to refundable rental deposits paid and right-of-use assets.

There is no impact of transition to IFRS16 on accumulated losses at 1 January 2019.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 2. Principal Accounting Policies (Continued)

### 2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

**Impact on the condensed consolidated statement of financial position**

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line that were not affected by the changes have not been included.

| | Notes | Carrying amounts previously reported at 31 December 2018 RMB'000 | Adjustments RMB'000 | Carrying amounts under IFRS 16 at 1 January 2019 RMB'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Right-of-use assets | (a), (b) | – | 79,491 | 79,491 |
| Prepaid lease payment | (a) | 52,842 | (52,842) | – |
| **Current assets** | | | | |
| Prepaid lease payment | (a) | 1,248 | (1,248) | – |
| Deposit, prepayments and other receivables – rental deposits | (b) | 2,791 | (331) | 2,460 |
| **Current liabilities** | | | | |
| Lease liabilities | | – | 7,723 | 7,723 |
| **Non-current liabilities** | | | | |
| Lease liabilities | | – | 17,347 | 17,347 |

Note: For the purpose of reporting cash flows for the six months ended 30 June 2019, movements have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 3. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for the addition on estimation over recognition of revenue arising from license, as set out below.

### Key sources of estimation uncertainty

#### Recognition of revenue arising from license

The Group entered into a collaboration agreement and to provide a commercialisation license to a customer as details set out in note 4. Upfront fee received is recognised as revenue only when customers have ability to use the licence. Accordingly, revenue is recognise over time upon customer receives and consumes the benefits during the commercialisation stage of the respective products. During the six months ended 30 June 2019, license fee income of RMB10,939,000 was recognised based on the actual sales against the total budged sales during the commercialisation period. Management revise its total budged sales from time to time based on changes in facts and circumstances including but not limited to market demand and timing on launch of new products.

## 4. Revenue from Contracts with Customers and Segment Information

### Collaboration with Eli Lilly and Company ("Eli Lilly")

In March 2015, the Group entered into Exclusive License and Collaboration Agreement for China and Co-Development Agreement (collectively, the "Lilly China Agreement'') with Eli Lilly, which governs the development and commercialisation activities concerning (1) IBI-301, a Rituxan biosimilar, and (2) sintilimab (IBI-308), a Programmer Death 1 monoclonal antibody (collectively, the "China Products'') in the People's Republic of China ("PRC''), including Hong Kong and Macau, but excluding Taiwan. Under the Lilly China Agreement, the Group will be responsible for developing and manufacturing each of the China Products and received an upfront payment of US$36.0 million (equivalent to RMB223,855,000) and collaboration fee on cost sharing during development stage. The Group will own all intellectual properties generated in connection with the development of (i) the China Products and (ii) the unique cell lines for the China Products.

The Group granted Eli Lilly an exclusive license (with the right to sublicense) under certain patents, know-how and regulatory approvals to commercialise the China Products in the PRC. The Group also provided Eli Lilly a non-exclusive license to certain trademarks in connection with Eli Lilly's commercialisation of the China Products in the PRC. Eli Lilly will grant non-exclusive license to the Group to use Eli Lilly trademarks on the China Products. The Group will co-promote IBI-301 and sintilimab (IBI-308) in China per the agreement with Eli Lilly and will share profits and losses pertaining to commercialisation of IBI-301 and sintilimab (IBI-308) equally.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 4. Revenue from Contracts with Customers and Segment Information (Continued)

### Collaboration with Eli Lilly and Company ("Eli Lilly") (Continued)

Under the Lilly China Agreement, a joint steering committee was established with equal representation from each party to coordinate and oversee development and commercialisation activities and decisions for the China Products. In general, the Group have final decision-making authority concerning the development of the China Products and Eli Lilly has final decision-making authority on commercialisation decisions following regulatory approval of the China Products except certain decisions over downsizing of development plan or increase the development activities for sintilimab (IBI-308) require unanimous consent.

On 27 December 2018, one of the indications of sintilimab (IBI-308) has been granted marketing approval by the National Medical Products Administration of the People's Republic of China. Further on 9 March 2019, the Group has launched such indication of sintilimab (IBI-308) to the market and started its commercialisation of the pharmaceutical products.

During the six months ended 30 June 2019, the Group received collaboration fee on development cost sharing of RMB141.0 million (six months ended 30 June 2018: RMB74.2 million). Since the years between the transfer of license and customer's payments are, at contract inception, expected to be more than one year, the Group concluded that the contract contains a significant financing component and 11% (six months ended 30 June 2018: 11%) was used in adjusting for the effect of time value of money over the promised amount of consideration and interest expenses recognised during the six months ended 30 June 2019 was RMB24.0 million (six months ended 30 June 2018: RMB20.5 million). Both consideration received and interest expenses recognised are recorded under contract liabilities at the end of the reporting period. With the commercialisation in March 2019, the Group commenced to recognise licence fee income over time on a systematic basis that is consistent with the customer receives and consumes the benefits during the commercialisation stage and licence fee income of RMB10.9 million was recognised during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

For the sale of pharmaceutical products, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 45 – 60 days upon delivery. During the six months ended 30 June 2019, the Group has recognised revenue regarding the sales of pharmaceutical products of RMB331.6 million (six months ended 30 June 2018: nil).

### Research and development agreements with customers

The Group further entered into research and development agreements with customers. During the six months ended 30 June 2019, the Group received non-refundable upfront and milestone payments of RMB9.1 million (six months ended 30 June 2018: nil) and recognised revenues of RMB2.9 million (six months ended 30 June 2018: RMB4.4 million) in accordance with completion of relevant research and development services.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 4. Revenue from Contracts with Customers and Segment Information (Continued)

### Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Timing of revenue recognition** | | |
| *A point in time* | | |
| Sales of pharmaceutical products | **331,630** | – |
| *Overtime* | | |
| Research and development service fee income | **2,948** | 4,436 |
| Licence fee income | **10,939** | – |
| | **345,517** | 4,436 |

### Geographical information

Substantially all of the Group's operations and non-current assets are located in the PRC. An analysis of the Group's revenue from external customers, analysed by their respective country/region of operation, is detailed below:

#### Revenue by geographical location

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| The PRC | **345,517** | 4,436 |

### Segment information

For the purposes of resource allocation and assessment of segment performance, the chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 2. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 5. Loss for the Period

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Loss for the period has been arrived at after charging (crediting): | | |
| Directors' emoluments | **27,739** | 19,497 |
| Other staffs costs: | | |
| Salaries and other allowances | **195,567** | 55,622 |
| Performance related bonus | **53,010** | 13,008 |
| Retirement benefit scheme contributions | **20,028** | 8,157 |
| Share-based payment expenses | **30,133** | 25,120 |
| Total staff costs | **326,477** | 121,404 |
| Auditors' remuneration | **1,161** | 2,665 |
| Amortisation of prepaid lease payments | **–** | 624 |
| Depreciation of property, plant and equipment | **34,577** | 30,491 |
| Depreciation of right-of-use assets | **4,322** | – |
| Minimum lease payments under operating leases in respect of office premises and staff quarters | **–** | 2,474 |
| Short-term lease expenses | **937** | – |
| Gain from changes in fair value of wealth management plans (financial assets mandatorily measured at FVTPL) | **(52)** | (2,370) |
| Gain from changes in fair value of other financial liabilities measured at FVTPL (note) | **–** | (448,797) |

Note: Amount represents the gain arising from the fair value changes of the preferred shares and the gross obligation from share purchase options written outstanding before the IPO of the Company.

## 6. Income Tax Expense

No income tax expense has been incurred by the Group during the six months ended 30 June 2019 and 2018.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 7. (Loss) Earnings per Share

### (a) Basic

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **(Loss) earnings** | | |
| (Loss) profit for the period attributable to owners of the Company | **(714,406)** | 43,894 |
| Effect of dilutive potential ordinary shares: | | |
| Gain from changes in fair value of Series D Preferred Shares | **–** | (466,644) |
| Loss for the purpose of diluted loss per share | **(714,406)** | (422,750) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **1,151,936,239** | 145,822,859 |
| Effect of dilutive potential ordinary shares: | | |
| Series D Preferred Shares | **–** | 214,751,790 |
| Weight average number of ordinary shares for the purpose of diluted loss per share | **1,151,936,239** | 360,574,649 |

The computation of basic and diluted (loss) earnings per share excluded the unvested restricted shares of the Company. Details of these restricted shares are set out in note 19.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been retrospectively adjusted for the share subdivision as disclosed in note 18 for the six months ended 30 June 2018.

### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

#### 30 June 2019

The Company had two categories of potential ordinary shares, unvested restricted shares of the Company (note 19) and the shares options awarded under the Pre-IPO Share Incentive Plan (the "Pre-IPO Plan"), Restricted Shares Plan (the "RS Plan") and Post-IPO share option scheme (the "Post-IPO ESOP"), as details set out in note 19. As the Group incurred losses for the six months ended 30 June 2019, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended 30 June 2019 is the same as basic loss per share.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 7. (Loss) Earnings per Share (Continued)

### (b) Diluted (Continued)

#### 30 June 2018

The Company had three categories of potential ordinary shares, unvested restricted shares of the Company, preferred shares issued by the Company and the shares options awarded under the Pre-IPO Plan. Diluted earnings per share for the six months ended 30 June 2018 did not assume vesting of restricted shares, conversion of series A, B, C and E preferred shares, and exercise of share options, as their inclusion would be anti-dilutive.

## 8. Dividends

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 9. Movements in Property, Plant and Equipment and Right-of-Use Assets

During the current interim period, the Group paid approximately RMB140.0 million for construction costs (including deposits) mainly for new production of plant and machinery. There was no disposal or written off of property, plant and equipment.

During the current interim period, no new lease agreement was entered by the Group.

## 10. Trade Receivables

The Group allows an average credit period of 45 to 60 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date.

| | **At 30 June 2019 RMB'000** | At 31 December 2018 RMB'000 |
|---|---|---|
| 0 – 60 days | **178,431** | – |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 11. Deposits, Prepayments and Other Receivables

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Rental deposits | **2,502** | 2,791 |
| Prepayments | **76,207** | 37,102 |
| Other receivables | **40,115** | 12,706 |
| Prepaid bonus (note a) | **105,824** | 111,882 |
| Receivables due from directors of the Company and employees (note b) | **–** | 8,805 |
| Other loans (note c) | **31,188** | 21,999 |
| Other tax recoverables | **134,312** | 127,301 |
| | **390,148** | 322,616 |
| Analysed as: | | |
| Non-current | **250,533** | 250,307 |
| Current | **139,615** | 72,309 |
| | **390,148** | 322,616 |

Notes:

(a) On 26 August 2018, in consideration of future performance of their duties as directors of the Company, the Company granted bonuses in the total amount of RMB198.5 million to two directors of the Company (including Dr. Yu), which is equal to the sum of 1) subscription receivables from these directors of the Company in the amount of RMB76.4 million (comprising subscription receivables for restricted shares in the amount of RMB29.2 million and subscription receivables for share options due from two directors of the Company in the amount of RMB47.2 million); 2) an amount of RMB32.9 million due from these two directors of the Company in respect of the withholding tax resulting from the restricted shares and share options subscriptions; and 3) an amount of RMB89.2 million due from these two directors of the Company in respect of the withholding tax resulting from the grant of the prepaid bonuses as at 26 August 2018.

Based on the relevant terms of the directors' respective service agreements (which reflected the relevant contractual terms of these directors' bonus plan), the outstanding receivables and the amount paid or payable for these directors of the Company in respect of the withholding tax resulting from the share subscriptions and the grant of these bonuses as at 26 August 2018 were converted to bonuses paid in advance to directors of the Company. These directors of the Company shall be liable to return the whole or part of the bonuses and the relevant tax paid for them if certain service and/or performance conditions are not satisfied in accordance with the relevant terms of the respective directors' service agreements. This arrangement is considered as a non-cash transaction.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 11. Deposits, Prepayments and Other Receivables (Continued)

Notes: (Continued)

(a) (continued)

During the six months ended 30 June 2019, RMB6.1 million (six months ended 30 June 2018: nil) was recognised as bonus expense based on the underlying terms of bonus plan and recorded under administrative expenses in accordance with the relevant terms of services agreements and RMB12.4 million (year ended 31 December 2018: RMB12.4 million) is expected to be recognised in the next twelve months and therefore, it is classified as current assets.

Including in the balance, there is also RMB99,000 (year ended 31 December 2018: RMB99,000) represents subscription receivables due from various holders of the issuance of restricted shares, and is repayable on demand in nature and therefore classified as current assets.

(b) During the year ended 31 December 2018, the directors of the Company approved the acceleration of the share options for the directors of the Company and employees and therefore, receivables of the unsettled exercise price and other costs paid on behalf of them recognised. Based on the bonus arrangement as disclosed in note 11(a), the receivables due from the directors of the Company has been converted to bonuses paid in advance to them. As at 31 December 2018, the balances of RMB8.8 million represents due from a consultant and employees for their share options related cost. The amounts are unsecured, non-interest bearing and repayable on demand. The directors of the Company expected the Company will not request settlement in the next twelve months and is therefore classified as non-current receivables.

During the six months ended 30 June 2019, the Company has arranged loan agreements for the unsettled receivables with the consultant and employees and therefore, the amount has been reclassified to other loans as disclosed in note 11(d).

(c) On 2 May 2018, pursuant to the board resolution of the compensation committee of the Company, the board of the Company has approved the acceleration of exercise of shares options granted to 33 individuals. Along with the acceleration of share options, 9 individuals have signed separate loan agreements with the Company for onshore loan and 信達生物製藥(蘇州)有限公司("Innovent Suzhou") for offshore loan for financing their payment on exercising the share options and individual income tax.

During the six months ended 30 June 2019, the Company has further entered loan agreements with remaining individuals regarding the unsettled subscription price and other costs in relation to the accelerated share options.

All of the loans are interest bearing at 3.5% per annum. The loans will be repaid according to the various repayment schedule before May 2024, in which RMB10.8 million (year ended 31 December 2018: RMB7.3 million) will be repaid within a year and classified as current receivables while the remaining RMB20.3 million (year ended 31 December 2018: RMB14.7 million) will be repaid after twelve months and classified as non-current receivables.

For the purpose of impairment assessment for subscription receivables for restricted shares, receivables due from share options holders and other loans, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 12. Contract Assets

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Research and development contract | **1,347** | 7,505 |

A contract asset is recognised over the period of research and development services performed and represents the entity's right to collect considerations for the services transferred to date. Contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The Group classifies these contract assets as current asset because the Group expects to collect upon the agreed payment terms, which is expected to be within one year.

There were no impairment losses recognised on any contract asset during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## 13. Other Financial Assets

The Group invested into wealth management plans managed by financial institutions in the PRC.

The principal is guaranteed by the relevant financial institutions with an expected return rate as stated in the contract ranging from 2.71% to 2.85% per annum as at 30 June 2019. All investments had maturity date within one year and due to the variable expected return rate, these investments are classified as financial assets mandatorily measured at FVTPL. No wealth management plan was held by the Group as at 31 December 2018.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 14. Bank Balances and Cash

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Cash at bank | **815,401** | 4,525,286 |
| Term deposits | **2,615,516** | – |
| Cash on hand | **125** | 66 |
| | **3,431,042** | 4,525,352 |
| Analysed as: | | |
| Cash and cash equivalents | **1,281,760** | 4,524,854 |
| Term deposits with maturity date between three months to one year | **2,149,282** | – |
| Pledged bank deposits (note) | **–** | 498 |
| | **3,431,042** | 4,525,352 |

Note: Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. As the Group can withdraw these deposits by replacing other pledged items, it is classified as current asset as at 31 December 2018, and was released during the six months ended 30 June 2019.

Bank balances carry interest at market rates ranging as follows per annum:

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Term deposits | **2.98% – 3.98%** | 1.35% – 4.65% |
| Cash at bank | **0.01% – 0.385%** | 0.01% – 0.385% |

## 15. Trade Payables

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Trade payables | **60,393** | 42,821 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 15. Trade Payables (Continued)

The average credit period on trade purchases is 0 to 60 days. Ageing analysis of the Group's trade payables based on the invoice dates at the end of the reporting period is as follows:

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| 0 – 30 days | **58,179** | 36,950 |
| 31 – 60 days | **435** | 889 |
| Over 60 days | **1,779** | 4,982 |
| | **60,393** | 42,821 |

## 16. Other Payables and Accrued Expenses

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Accrued expenses | | |
| – Research and development (Note) | **303,621** | 396,345 |
| – Selling and marketing | **70,016** | 50,155 |
| – Legal and professional fee | **2,469** | 7,410 |
| – Issue costs and listing expenses | **–** | 10,068 |
| – Others | **13,373** | 9,827 |
| | **389,479** | 473,805 |
| Interest payables | **1,091** | 1,185 |
| Other payables | **21,245** | 12,847 |
| Payables in respect of acquisition of property, plant and equipment | **49,802** | 55,612 |
| Staff payroll payables | **94,896** | 57,049 |
| | **556,513** | 600,498 |

Note: Amounts included service fees paid to outsourced service providers including contract research organisations and clinical trial sites.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 17. Borrowings

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Variable-rate borrowings – at amortised cost | **802,000** | 792,000 |
| Analysed as: | | |
| Secured | **490,000** | 495,000 |
| Unsecured | **312,000** | 297,000 |
| | **802,000** | 792,000 |
| The carrying amounts of the above borrowings are repayable*: | | |
| Within one year | **11,000** | 10,000 |
| Within a period of more than one year but not exceeding two years | **26,000** | 17,000 |
| Within a period of more than two years but not exceeding five years | **323,000** | 230,000 |
| Within a period of more than five years | **442,000** | 535,000 |
| | **802,000** | 792,000 |
| Less: Amounts due within one year shown under current liabilities | **(11,000)** | (10,000) |
| Amounts shown under non-current liabilities | **791,000** | 782,000 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates on the Group's variable-rate borrowings are as follows:

| | 2019 | 2018 |
|---|---|---|
| Effective interest rate: | | |
| Variable-rate borrowings | **4.9%** | 4.9% |

The Group pledged the following assets to secure credit facilities granted to the Group:

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Property, plant and equipment | **586,059** | 611,667 |
| Land use rights | **53,466** | 54,090 |
| Pledged bank deposits | **–** | 498 |
| | **639,525** | 666,255 |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 18. Share Capital

| | Number of ordinary shares | Amount US$'000 |
|---|---|---|
| **Authorised** | | |
| At 1 January 2018 | 443,999,007 | 44 |
| Reclassification and re-designation on issuance of Series E Preferred Shares (note a) | (11,177,348) | (1) |
| Share subdivision (note b) | 3,895,394,941 | – |
| At 30 June 2018 | 4,328,216,600 | 43 |
| Automatic conversion of preferred shares upon IPO | 671,783,400 | 7 |
| At 1 January 2019 and 30 June 2019 | **5,000,000,000** | **50** |

| | Number of shares | Amount US$'000 | Equivalent amount of ordinary shares RMB'000 |
|---|---|---|---|
| **Issues and fully paid** | | | |
| At 1 January 2018 | 11,989,492 | 1 | 8 |
| Exercise of share options (note c) | 9,010,004 | 1 | 6 |
| Issuance of ordinary shares (note d) | 2,235 | – | – |
| Share subdivision (note b) | 189,015,579 | – | – |
| At 30 June 2018 | **210,017,310** | **2** | **14** |
| Issuance of shares on IPO (note e) | **236,350,000** | **2** | **16** |
| Issuance of shares on exercise of over-allotment option (note e) | **35,452,000** | **–** | **2** |
| Automatic conversion of preferred shares upon IPO | **671,783,400** | **7** | **47** |
| At 31 December 2018 and 1 January 2019 | **1,153,602,710** | **11** | **79** |
| Exercise of share options (note f) | **3,395,000** | **–** | **–** |
| At 30 June 2019 | **1,156,997,710** | **11** | **79** |

Notes:

(a) On 31 January 2018, the Company redesignated and reclassified 11,177,348 ordinary shares into Series E Preferred shares.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 18. Share Capital (Continued)

Notes: (Continued)

(b) With effect from 12 June 2018, each of the Company's authorised and issued 500,000,000 shares of a par value of US$0.0001 have been subdivided into ten shares of US$0.00001 par value each so that the authorised share capital of the Company shall be US$50,000 divided into (i) 4,328,216,600 authorised ordinary shares of a par value of US$0.00001, (ii) 50,000,000 Series A Preferred Shares of a par value of US$0.00001 each, (iii) 136,363,660 Series B Preferred Shares of a par value of US$0.00001 each, (iv) 158,894,480 Series C Preferred Shares of a par value of US$0.00001 each, (v) 214,751,780 Series D Preferred Shares of a par value of US$0.00001 each, (vi) 111,773,480 Series E Preferred Shares of a par value of US$0.00001 each.

(c) On 1 May 2018, the Company issued 9,010,004 ordinary shares of US$0.0001 par value each to Great Biono Fortune LP pursuit to an acceleration of options granted under the Pre-IPO Plan, with a total exercise price of US$10,076,000 (equivalent to RMB63,874,000). The exercise price of the share options was settled through current accounts with directors of the Company and other loans to employees of the Group.

(d) During the year ended 31 December 2018, the Company issued 2,235 ordinary shares of US$0.0001 par value each to one of the independent directors of the Company to settle parts of his remuneration payable to him of US$30,000 (equivalent to RMB190,000).

(e) In connection with the Company's IPO, 236,350,000 and 35,452,000 ordinary shares of US$0.00001 par value each were issued at HK$13.98 per share for a total gross cash consideration of HK$3,304,173,000 and HK$495,619,000 (equivalent to RMB2,933,147,000 and RMB438,216,000), on 31 October 2018 and 22 November 2018, respectively.

(f) During the six months ended 30 June 2019, the Company issued a total of 3,395,000 ordinary shares of US$0.00001 par value each to the Group's employees as the result of exercise of share options after vesting period with a total exercise price of US$255,000 (equivalent to RMB1,745,000).

## 19. Share-Based Payment Transactions

### (i) Pre-IPO Plan

On 10 May 2012, the shareholders of the Company approved the adoption of the Pre-IPO Plan for the purpose of incentivising, retaining and rewarding certain employees, board members and individual consultant or adviser who renders bona fide services to the Company or its subsidiaries ("Eligible Person") for their contributions the Group's business, and to align their interests with those of the Group. The Pre-IPO Plan divided into two separate equity programs: (a) share award program and (b) option and share appreciation rights grant program. The overall limit on the number of underlying shares which may be delivered pursuant to all awards granted under the Pre-IPO Plan is 165,476,820 shares of the Company, subject to any adjustments for other dilutive issuances.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 19. Share-Based Payment Transactions (Continued)

### (i) Pre-IPO Plan (Continued)

#### (a) Share award program

On 23 December 2016, the Company issued an aggregate of 950,000 (after subdivision: 9,500,000) restricted shares of the Company for a subscription price of US$1.10 per share, in exchange of the share options granted to Dr. Yu previously.

The restricted shares shall initially be unvested and subject to repurchase by the Company at subscription price paid by the employees upon voluntary or involuntary termination of employment (the "Repurchase Option"). One forth (25%) of the restricted shares shall vest immediately and the remaining portion (75% of the restricted shares) shall be vested rateably on a monthly basis over a 36-months vesting period and released from the Repurchase Option, except for vesting due to specific clause and reasons.

The eligible employees shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employees shall not transfer any vested shares, or any interest therein until the employees has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

On 18 February 2017, the Company further entered into a restricted share agreement to which 3,020,697 (after subdivision: 30,206,970) ordinary shares at subscription price of US$1.1 per share for a total consideration of US$3,323,000 (equivalent to RMB22,845,000) pursuant to which the vesting is subject to accomplishment of certain performance milestones conditions and such restricted shares have been vested during 2017.

No additional restricted shares was granted during the year ended 31 December 2018 and during the six months ended 30 June 2019 under the Pre-IPO Plan.

The total expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees and directors of the Company are RMB77,000 (six months ended 30 June 2018: RMB197,000) for the six months ended 30 June 2019.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 19. Share-Based Payment Transactions (Continued)

### (i) Pre-IPO Plan (Continued)

#### (a) Share award program (Continued)

The following table summarised the Group's unvested restricted shares movement.

| | Numbers of vested restricted shares | Weighted average grant date fair value per share RMB |
|---|---|---|
| Unvested as at 1 January 2018 | 494,792 | 10.37 |
| Vested | (118,750) | (10.37) |
| Share subdivision | 3,384,378 | |
| Unvested as at 30 June 2018 | 3,760,420 | 1.04 |
| Unvested as at 1 January 2019 | **2,572,920** | **1.04** |
| Vested | **(1,187,500)** | **1.04** |
| Unvested as at 30 June 2019 | **1,385,420** | **1.04** |

#### (b) Option and share appreciation rights grant program

Except as provided otherwise in the grant letter or offer in any other form by the board of directors, 25% of the granted options shall vest on the first vesting date, and the remaining 75% shares shall vest on a monthly basis over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 19. Share-Based Payment Transactions (Continued)

### (i) Pre-IPO Plan (Continued)

#### (b) Option and share appreciation rights grant program (Continued)

The following table discloses movements of the Company's share options held by grantees during the periods:

| | Number of share options | | | |
|---|---|---|---|---|
| | Directors of the Company Six months ended | | Employees Six months ended | |
| | **2019** | 2018 | **2019** | 2018 |
| At the beginning of the period | **–** | 5,551,100 | **71,910,000** | 4,194,000 |
| Granted | **–** | 400,000 | **–** | 3,300,904 |
| Forfeited | **–** | – | **(2,225,000)** | (304,500) |
| Exercised (note a) | **–** | (5,951,100) | **(3,395,000)** | (3,058,904) |
| Share subdivision (note b) | **–** | – | **–** | 37,183,500 |
| At the end of the period | **–** | – | **66,290,000** | 41,315,000 |

Notes:

(a) On 1 May 2018, pursuant to the board resolution of the compensation committee, the directors of the Company has approved the acceleration of the vesting of 5,289,486 options and exercise of 9,010,004 options (including both the previously vested and accelerated ones). During the six months ended 30 June 2019, 3,395,000 options were exercised.

(b) As a result of the share subdivision on 12 June 2018, the number of the outstanding share options were adjusted from 4,131,500 to 41,315,000. No subdivision of share was noted for the six months ended 30 June 2019.

As at 30 June 2019, 11,275,000 (six months ended 30 June 2018: 11,705,000 (after the effect of the share subdivision)) outstanding options were exercisable.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the periods:

| | Weighted average exercise price | | | |
|---|---|---|---|---|
| | Directors of the Company Six months ended | | Employees Six months ended | |
| | **2019** | 2018* | **2019** | 2018* |
| Granted | **N/A** | US$0.20 | **N/A** | US$0.25 |
| Forfeited | **N/A** | N/A | **US$0.19** | US$0.13 |
| Exercised | **N/A** | US$0.09 | **US$0.10** | US$0.16 |

* Adjusted by the effect of share subdivision

No share appreciation rights was outstanding nor issued during any of the reporting period.

The total expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB17,233,000 (six months ended 30 June 2018: RMB41,588,000) for the six months ended 30 June 2019.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 19. Share-Based Payment Transactions (Continued)

### (ii) RS Plan

On 15 October 2018, the board of directors approved the RS Plan to issue 55,907,735 restricted shares within two years of the Company's IPO. The purpose of the RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company and stimulate the efforts of such persons on the Group's behalf.

#### (a) A director

On 14 June 2019, the Company granted an aggregate of 6,901,796 restricted shares to Dr. Yu with nil consideration.

The restricted shares shall initially be unvested and subject to repurchase by the Company upon the Repurchase Option. The restricted shares shall be vested on a 20% per annum over a 5 years vesting period with the first vesting date as May 2020 and released from the Repurchase Option.

#### (b) Employees

On 2 May 2019 and 14 June 2019, the Company granted a maximum of 2,835,085 and 1,056,000 restricted shares at nil consideration to 7 and 9 employees of the Group subject to the accomplishment of certain performance conditions respectively.

The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2022 while the remaining shall vest in 2023, subject to the performance condition to be fulfilled.

Both the director of the Company and eligible employees shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employees shall not transfer any vested shares, or any interest therein until the employees has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

The following table summarised the Group's unvested restricted shares movement.

| | Numbers of vested restricted shares | Weighted average grant date fair value per share HK$ |
|---|---|---|
| Unvested as at 1 January 2019 | – | – |
| Granted | **10,792,881** | **22.75** |
| Unvested as at 30 June 2019 | **10,792,881** | **22.75** |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 19. Share-Based Payment Transactions (Continued)

### (ii) RS Plan (Continued)

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant dates and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognised in the condensed consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees and directors of the Company are RMB12,873,000 (six months ended 30 June 2018: nil) for the six months ended 30 June 2019.

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the grant date.

### (iii) Post-IPO ESOP

On 13 October 2018, shareholders resolution was passed to adopt the Post-IPO ESOP. The purpose of the Post-IPO ESOP is to encourage participants to work towards enhancing the value of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP is 111,815,071, being no more than 10% of the shares in issue on the date the shares commence trading on the Stock Exchange.

The following table discloses movements of the Company's share options held by grantees during the periods:

| | Number of share options | | | |
|---|---|---|---|---|
| | Directors of the Company Six months ended | | Employees Six months ended | |
| | **2019** | 2018 | **2019** | 2018 |
| At the beginning of the period | **–** | – | **–** | – |
| Granted | **5,095,238** | – | **13,130,513** | – |
| At the end of the period | **5,095,238** | – | **13,130,513** | – |

Options will be vested in accordance with the series and performance conditions stipulated in respective grant agreements. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 19. Share-Based Payment Transactions (Continued)

### (iii) Post-IPO ESOP (Continued)

As at 30 June 2019 and 2018, no outstanding options were exercisable.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the periods:

| | Weighted average exercise price | | | |
|---|---|---|---|---|
| | Directors of the Company six months ended | | Employees six months ended | |
| | **2019** | 2018 | **2019** | 2018 |
| Granted | **HK$28.30** | N/A | **HK$28.15** | N/A |

#### Fair value of share options granted

During the six months ended 30 June 2019, Binomial Options Pricing Model was used to determine the fair value of the options granted. Key assumptions, such as expected dividend yield, post-vesting exit rate, expected exercise multiple, risk-free interest rate and volatility, are required to be determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

| | **2019** |
|---|---|
| Fair value per option on grant date | **HK$15.54 – HK$19.28** |
| Weighted average share price of the Company on grant date | **HK$26.25 – HK$28.30** |
| Exercise price | **HK$26.25 – HK$28.30** |
| Expected volatility | **61.25% – 62.64%** |
| Risk-free rate | **1.59% – 1.80%** |
| Expected dividend yield | **0%** |
| Post-vesting exit rate | **0** |
| Expected exercise multiple | **2.2 – 2.8** |

The fair value of share options granted was valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer which has appropriate qualifications and experiences in valuation of similar instruments.

The directors of the Company estimated the risk-free interest rate based on the yield of Hong Kong Government Bonds issued under the Institutional Bond Issuance Programme with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognised in the condensed consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB16,584,000 (six months ended 30 June 2018: nil) for the six months ended 30 June 2019.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 20. Capital Commitment

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | **177,191** | 107,414 |

## 20A. Transactions and Balances with Related Parties of a Shareholder

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group also entered into the following significant transactions during the reporting period with certain related parties of a shareholder which has the authority to appoint a director in the Company's board.

### (I) Transactions

| Nature of transaction | Six months ended 30 June 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Collaboration fee received | **N/A** | 74,192 |
| Consulting service expenses paid | **N/A** | (1,144) |

### (II) Balance

| | At 30 June 2019 RMB'000 | At 31 December 2018 RMB'000 |
|---|---|---|
| Contract liabilities | **N/A** | 466,889 |

Note: The shareholder ceased to be related party of the Group since the date of IPO of the Company on the Stock Exchange.

## 20B. Transactions with Dr. Yu

Historically, the Group used certain domain names which are owned by Dr. Yu for free. On 11 June 2018, the Group and Dr. Yu formalised the arrangement and entered into agreement pursuant to which Dr. Yu agreed to license his rights in the domain names to Innovent Suzhou for use by it and the Group in connection with business and operations on an exclusive and royalty-free basis for a term commencing from the date of the agreement until such times that Dr. Yu ceases to hold shares or ceases to be a director of the Company. Such rights in the domain names are not transferable to any third parties.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 20C. Compensation of Key Management Personnel

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

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Short term benefits | **12,368** | 6,683 |
| Retirement benefit scheme contributions | **42** | 66 |
| Share based payment expenses | **18,337** | 29,431 |
| | **30,747** | 36,180 |

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

## 21. Fair Value Measurements of Financial Instruments

The fair value of financial assets and liabilities (except for those set out below) are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis using prices from observable current market transactions.

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

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

| Financial assets | Fair value as at | | Fair value hierarchy | Valuations techniques and key inputs | Significant unobservable inputs |
|---|---|---|---|---|---|
| | **30 June, 2019** | 31 December, 2018 | | | |
| | **RMB'000** | RMB'000 | | | |
| Other financial assets | **53,500** | – | Level 2 | Income approach - in this approach, the discounted cash flow method was used to estimate the return from the underlying assets. | N/A |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

## 21. Fair Value Measurements of Financial Instruments (Continued)

### (ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

## 22. Events after the End of the Reporting Period

Except as disclosed elsewhere of the condensed consolidated financial statements, the Group repaid RMB5.0 million for the existing bank loan facility subsequent to 30 June 2019.

# Definitions

In this report, unless the context otherwise requires, the following expressions shall have meaning as follows:

| | |
|---|---|
| **"associate(s)"** | has the meaning ascribed thereto under the Listing Rules |
| **"Audit Committee"** | the audit committee of the Company |
| **"Board" or "Board of Directors"** | the board of directors of our Company |
| **"CG Code"** | the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules |
| **"China" or the "PRC"** | the People's Republic of China, and for the purpose of this report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| **"Company", "our Company" or "the Company"** | Innovent Biologics, Inc. 信達生物製藥, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 28 April 2011 |
| **"Companies Ordinance"** | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| **"connected person(s)"** | has the meaning ascribed to it under the Listing Rules |
| **"Director(s)"** | the director(s) of our Company |
| **"Dr. Yu"** | Dr. De-Chao Michael Yu, our chief executive officer, chairman of the Board and executive Director |
| **"Eli Lilly"** | Eli Lilly and Company, a U.S. company, organised and existing under the laws of the State of Indiana on 17 January 1901, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285 |
| **"FDA"** | U.S. Food Drug Administration |
| **"GMP"** | Good Manufacturing Practice |
| **"Group", "our Group", "the Group", "we", "us" or "our"** | the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| **"Hong Kong" or "HK"** | the Hong Kong Special Administrative Region of the PRC |
| **"Hong Kong dollars" or "HK dollars" or "HK$"** | Hong Kong dollars, the lawful currency of Hong Kong |

# Definitions

| | |
|---|---|
| **"IFRS"** | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| **"Incyte"** | Incyte Biosciences International Sàrl, a subsidiary of Incyte Corporation (the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: INCY)) |
| **"IND"** | investigational new drug or investigational new drug application, also known as clinical trial application in China |
| **"Listing"** | the listing of the Shares on the Main Board of the Stock Exchange |
| **"Listing Date"** | 31 October 2018, the date on which the Shares are listed and on which dealings in the Shares are initially permitted to take place on the Stock Exchange |
| **"Listing Rules"** | the Rules governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| **"Main Board"** | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange |
| **"Model Code"** | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| **"NDA"** | new drug application |
| **"NMPA"** | China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局) |
| **"Post-IPO ESOP"** | the post-IPO share option scheme adopted by the Company on 12 June 2018 |
| **"Pre-IPO Share Incentive Plan"** | the pre-IPO share incentive plan adopted by the Company on 10 May 2012 as amended from time to time |
| **"Prospectus"** | the prospectus of the Company dated 18 October 2018 |
| **"Reporting Period"** | the six months ended 30 June 2019 |
| **"RMB" or "Renminbi"** | Renminbi, the lawful currency of PRC |

# Definitions

| | |
|---|---|
| **"RS Plan"** | the Innovent Biologics, Inc. 2018 Restricted Share Plan adopted by the Company on 15 October 2018 |
| **"SFO"** | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| **"Share(s)"** | ordinary share(s) in the share capital of our Company, currently with a par value of US$0.00001 each |
| **"Shareholder(s)"** | holder(s) of the Share(s) |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"subsidiary" or "subsidiaries"** | has the meaning ascribed to it thereto in section 15 of the Companies Ordinance |
| **"substantial shareholder"** | has the meaning ascribed to it in the Listing Rules |
| **"United States" or "U.S."** | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| **"US dollars", "U.S. dollars", "US$" or "USD"** | United States dollars, the lawful currency of the United States |
| **"%"** | per cent |

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