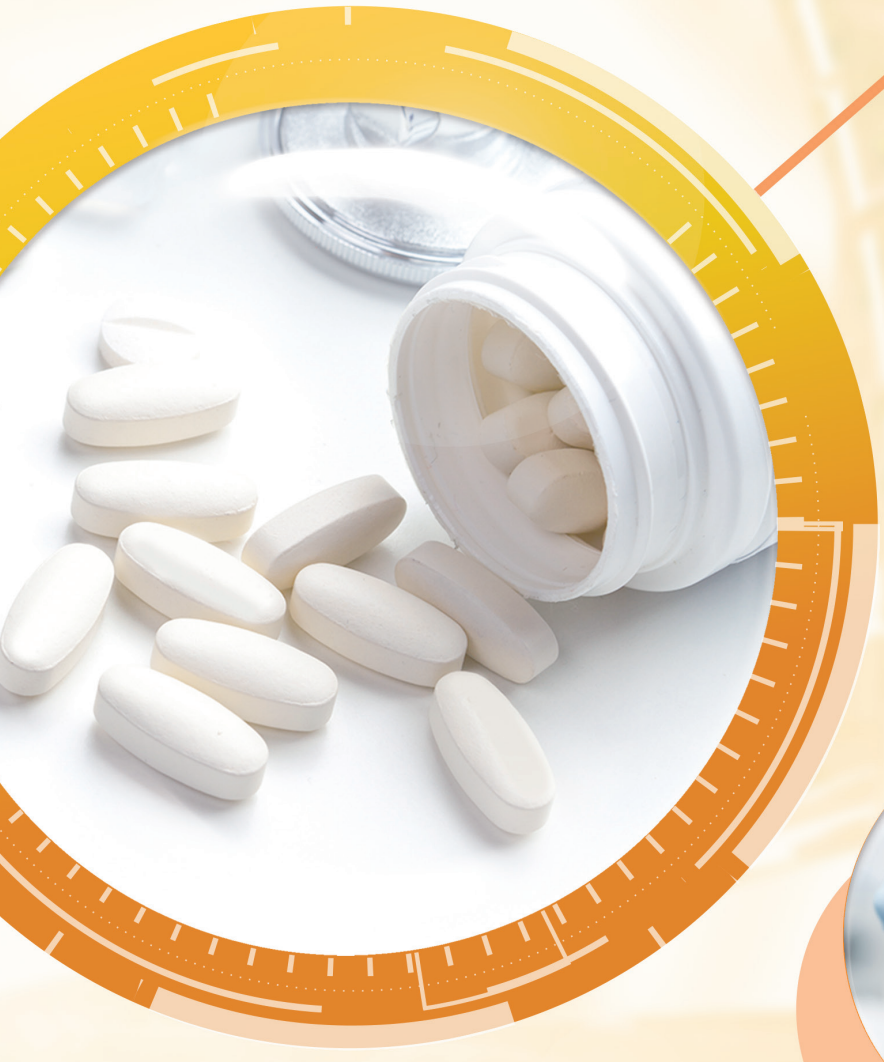
INNOCARE
诺诚健华

InnoCare Pharma Limited
諾誠健華醫藥有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 9969



ANNUAL REPORT 2020

Contents

InnoCare Pharma Limited
2020 Annual Report

DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company adopted by special resolution on October 8, 2019 with effect from the Listing Date, as amended from time to time
"Audit Committee"	the audit committee of the Board
"ALL"	Acute Lymphoblastic Leukemia
"AML"	Acute Myeloid Leukemia
"ASH"	American Society of Hematology
"Ba/F3"	a murine interleukin-3 dependent pro-B cell line is increasingly popular as a model system for assessing both the potency and downstream signaling of kinase oncogenes, and the ability of small-molecule kinase inhibitors to block kinase activity
"B-cell"	a type of white blood cell that differs from other lymphocytes like T-cells by the presence of the BCR on the B-cell's outer surface. Also known as B-lymphocytes
"Board"	the board of directors of the company
"BTK"	Bruton's tyrosine kinase, a human enzyme encoded by the BTK gene
"CD20"	B-lymphocyte antigen CD20, a B-cell specific cellsurface molecule that is encoded by the MS4A1 gene
"CDE"	Center for Drug Evaluation, an institution under the NMPA
"CEO" or "Chief Executive Officer"	the chief executive officer of the Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules

"Chairperson"	chairperson of the Board
"China" or "PRC"	the People's Republic of China, which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"cholangiocarcinoma"	bile duct cancer, a type of cancer that forms in the bile ducts
"CLL"	chronic lymphocytic leukemia
"CNSL"	central nervous system lymphoma
"Company", "our Company", "the Company" or "InnoCare"	InnoCare Pharma Limited (Stock code: 9969), an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 3, 2015, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Director(s)"	the director(s) of the Company
"DLBCL"	diffuse large B-cell lymphoma, a common type of non-Hodgkin lymphoma that starts in lymphocytes
"DLT"	dose-limiting toxicity, side effects of a drug or other treatment that are serious enough to prevent an increase in dose or level of that treatment
"FGFR"	fibroblast growth factor receptor, membrane-spanning proteins that are a subgroup of the family of tyrosine kinase receptors
"FL"	Follicular Lymphoma
"GCB"	germinal center B-cell, one of the subtypes of diffuse large B-cell lymphoma
"GMP"	good manufacturing practice
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IBD"	inflammatory bowel disease
"ICP-022" or "Orelabrutinib"	one of the Company's clinical commerical drug candidates
"ICP-105"	one of the Company's clinical stage drug candidates
"ICP-192"	one of the Company's clinical stage drug candidates
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"Innocare Nanjing"	Nanjing Tian Yin Jian Hua Pharm Tech Co., Ltd.
"IPO"	the initial public offering of the Company on the Hong Kong Stock Exchange
"ITP"	Immune Thrombocytopenia
"JAK"	Janus tyrosine kinase
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	March 23, 2020, being the date on which the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LN"	Lupus Nephritis
"MCL"	mantle cell lymphoma, a type of B-cell non-Hodgkin lymphoma
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MS"	Multiple Sclerosis

"MZL"	marginal zone lymphoma
"NDA"	new drug application
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"NRDL"	National drug reimbursement list
"NTRK"	neurotrophic tyrosine receptor kinase
"pan-FGFR inhibitor"	pan-inhibitor of fibroblast growth factor receptor (FGFR) family
"pan-TRK inhibitor"	pan-inhibitor of tropomyosin-related kinase family
"pharmacodynamics" or "PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"Prospectus"	the prospectus of the Company, dated March 11, 2020, in relation of its Global Offering
"R&D"	research and development
"R/R" or "r/r"	relapsed and refractory
"Reporting Period"	year ended December 31, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"RP2D"	recommended phase 2 dose
"R-CHOP"	a combination of five drugs as first-line treatment for aggressive non-Hodgkin's lymphoma
"SD rats"	Sprague Dawley rat, is an outbred multipurpose breed of albino rat used extensively in medical and nutritional research

DEFINITIONS

"Share(s)"	ordinary shares with a par value of US$0.000002 per share in the share capital of the Company
"SHP2"	a non-receptor protein tyrosine phosphatase involved in mediating RAS signaling pathway and immune checkpoint pathway as well for regulation of cellular proliferation and survival
"SLE"	systemic lupus erythematosus
"SLL"	small lymphocytic lymphoma
"TRK"	a family of tyrosine kinases that regulates synaptic strength and plasticity in the mammalian nervous system
"TYK2"	tyrosine kinase 2
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. FDA"	U.S. Food and Drug Administration
"US$"	United States dollars, the lawful currency of the United States
"WM"	Waldenstrom's macroglobulinemia

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Jisong Cui *(Chairperson and Chief Executive Officer)*
Dr. Renbin Zhao

Non-executive Directors

Dr. Yigong Shi
Mr. Quanhong Yuan
Mr. Shan Fu
Mr. Lijun Lin (resigned on March 31, 2021)
Mr. Ronggang Xie (appointed on March 31, 2021)

Independent Non-executive Directors

Dr. Zemin Zhang
Ms. Lan Hu
Dr. Kaixian Chen

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 8, No. 8 Life Science Park Road
Zhongguancun Life Science Park
Changping District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

The offices of Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

COMPANY SECRETARY

Mr. Keith Shing Cheung Wong (appointed on February 9, 2021)
Ms. Ching Man Yeung (resigned on February 9, 2021)

AUTHORIZED REPRESENTATIVES

Dr. Jisong Cui
Mr. Keith Shing Cheung Wong (appointed on February 9, 2021)
Ms. Ching Man Yeung (resigned on February 9, 2021)

AUDIT COMMITTEE

Ms. Lan Hu *(chairperson)*
Dr. Zemin Zhang
Dr. Kaixian Chen

COMPENSATION COMMITTEE

Ms. Lan Hu *(chairperson)*
Dr. Jisong Cui
Dr. Zemin Zhang

NOMINATION COMMITTEE

Dr. Jisong Cui *(chairperson)*
Dr. Zemin Zhang
Dr. Kaixian Chen

STOCK CODE

9969

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPANY WEBSITE

www.innocarepharma.com

BUSINESS HIGHLIGHTS

During the year ended December 31, 2020, we continued advancing our drug pipeline and business operations, including the following milestones and achievements:

ORELABRUTINIB

- Orelabrutinib received approval from the China NMPA for the treatment of patients with r/r CLL/SLL and the treatment of patients with r/r MCL. Both indications were approved based on 12-month safety and efficacy data, which was presented at the 62nd ASH annual meeting. Currently, our 150 plus commercial team is actively marketing Orelabrutinib in China.

- Over 400 patients have been treated with Orelabrutinib across all of our B-cell malignant cancer trials. The clinical data indicates that Orelabrutinib's high target selectivity and exceptional target occupancy rate have resulted in favorable safety and efficacy profiles.

- Our Phase II trial for r/r WM was endorsed as a registrational trial by the CDE. We have completed patient enrollment and expect to submit the NDA in the first half of 2022.

- Our Phase II trial for r/r MZL was endorsed as a registrational trial by the CDE. We expect to complete patient enrollment in the second half of 2021.

- Our Phase III trial for Orelabrutinib as a first-line treatment for CLL/SLL was endorsed as a registrational trial by the CDE.

- We have continued to make progress in the Phase II trial for r/r CNSL.

- We are completing the Phase I combinational trial between Orelabrutinib and MIL-62, a next generation CD20 antibody. The preliminary clinical results are very promising and we plan to announce the results in the second half of 2021.

- We have received NMPA endorsement to begin a Phase III trial of Orelabrutinib in combination with R-CHOP as a first-line treatment for MCL.

- In the U.S., we have initiated a Phase II trial for r/r MCL, which was granted Orphan Drug Designation by the U.S. FDA in the fourth quarter of 2020.

- In addition to oncology, we are exploring the use of Orelabrutinib for the treatment of various autoimmune diseases. In China we have begun a Phase IIa trial for SLE. We have also initiated a global Phase II trial for MS in the U.S., Europe and China, etc.

ICP-192 (gunagratinib)

- Gunagratinib completed Phase I trials in China and was found to be well tolerated with no treatment-related DLT.
- We are progressing gunagratinib through two Phase II trials for advanced cholangiocarcinoma and for urothelial cancer.
- Early efficacy data of the Phase I/II clinical trials are promising. Of the 12 patients with FGF/FGFR gene aberrations who had completed at least one tumor assessment, the ORR was 33.3% including 1 cholangiocarcinoma patient (8.3%) achieving CR and 3 patients (25%) with PR. The DCR was 91.7 (11 of 12 patients).
- In the U.S., we have initiated a Phase I/II dose escalation trial in advanced solid tumors with first-patient dosing completed earlier this year.

ICP-723

- The IND application for ICP-723 was approved by the CDE in the first half of 2020. We are currently conducting Phase I clinical trials in China to assess the safety, tolerability and PK of ICP-723 in advanced solid tumors and to evaluate the preliminary anti-tumor activity of ICP-723 in patients with NTRK fusions.

ICP-105

- We are in Phase I dose study to determine the safety, tolerability, and PK/PD profile of ICP-105.

OUR KEY IND-ENABLING STAGE DRUG CANDIDATES

ICP-332 – ICP-332 is a small-molecule inhibitor of Tyrosine Kinase 2 (TYK2) that we are developing for the treatment of various autoimmune disorders. We submitted the IND application for ICP-332 to the CDE, which was accepted in February of 2021.

ICP-033 – a multi-kinase inhibitor mainly targeting discoidin domain receptor 1 (DDR1) and vascular endothelial growth factor receptor (VEGFR) that inhibits angiogenesis and tumor cell invasion, normalizes abnormal blood vessels, and reverses the immunosuppressive state of the tumor microenvironment. ICP-033 is intended to be used in combination with immunotherapy and other targeted therapy drugs for liver cancer, renal cell carcinoma, colorectal cancer and other solid tumors. We submitted the IND application for ICP-033 to the CDE in April 2021.

ICP-189 – a potent oral allosteric inhibitor of SHP2 with excellent selectivity over other phosphatases. It is being developed for the treatment of solid tumors as a single agent and/or in combinations with other anti-tumor agents. We plan to submit the IND application for ICP-189 to the CDE in the second half of 2021.

ICP-488 – a small molecule binder of the pseudokinase domain (Janus Homology 2 or JH2) of TYK2. We intend to develop ICP-488 for the treatment of inflammatory diseases such as psoriasis and IBD. We plan to file the IND application for ICP-488 in the second half of 2021.

BUSINESS HIGHLIGHTS

ICP-490 – a proprietary, orally available small molecule that modulates the immune system and other biological targets through multiple mechanisms of action. By specifically binding to $CRL4^{CRBN}$-E3 ligase complex, it induces ubiquitination and degradation of transcription factors including Ikaros and Aiolos. We plan to submit the IND application for ICP-490 to the CDE in the first half of 2022.

ICP-248 – a novel, orally bioavailable B-cell lymphoma-2 (BCL-2) selective inhibitor. We intend to develop ICP-248 in combination with Orelabrutinib for the treatment of AML, ALL, FL, CLL, DLBCL and other hematological malignancies. We expect to file the IND application for ICP-248 in the first half of 2022.

ICP-B03 – a tumor-conditional pro-interleukin (IL) – 15 targeting and changing immune cells inside tumor microenvironment. ICP-B03 has the potential to improve anti-tumor efficacies of existing therapies, such as immune checkpoint inhibitors, chemotherapies etc. We plan to apply for the IND application for ICP-B03 in the second half of 2022.

OTHER EVENTS

We have constructed our own in-house manufacturing facilities. Our 50,000 m^2 Guangzhou manufacturing facility complies with GMP requirements of the U.S., Europe, Japan and China. We have successfully obtained the manufacturing license for the Guangzhou manufacturing facility.

We currently have a team of 150+ sales and marketing members covering over 500 nationally leading hematology hospitals. Our sales and marketing team currently includes key functional heads for sales, marketing, medical affairs, market access and distribution and customer management. We plan to expand the commercialization team to 200 personnel covering over 900 of the top hospitals by the end of 2021.

FINANCIAL HIGHLIGHTS

In 2020, the Group has achieved the following growth when compared with those of 2019:

	As at December 31,/year ended December 31,			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	**3,969,640**	2,291,773	1,876,618	36,874
Total assets	**4,537,710**	2,615,693	2,201,159	107,401
Total liabilities	**1,377,204**	5,563,439	3,039,533	499,465
Total equity/(deficit)	**3,160,506**	(2,947,746)	(838,374)	(392,064)
REVENUE	**1,364**	1,247	1,617	102
Other income and gains	**271,304**	104,449	31,395	11,424
Selling and distribution expenses	**(68,208)**	(3,458)	(558)	–
Research and development costs	**(402,771)**	(213,123)	(149,726)	(62,882)
Administrative expenses	**(89,371)**	(63,623)	(17,523)	(14,644)
Other expenses	**(33,863)**	(159,909)	(27,979)	(542)
Finance costs	**(1,139)**	(1,916)	(3,441)	(2,537)
Fair value changes of convertible redeemable preferred shares	**(141,579)**	(1,814,018)	(387,804)	(272,686)
Shares of profits and losses of joint ventures	**–**	–	(4)	31
LOSS FOR THE YEAR	**(464,263)**	(2,150,351)	(554,023)	(341,734)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic and diluted	**(RMB0.48)**	(RMB9.32)	(RMB2.83)	(RMB1.76)

CHAIRPERSON'S STATEMENT

Dear Shareholders,

Although 2020 was an extraordinary year filled with uncertainty, I feel proud that InnoCare has nonetheless achieved significant progress that builds upon the commitment and focus of our employees, along with the support of our partners.

On the occasion of release of 2020 full-year report, I would like to share with you our achievements in 2020, as well as our vision for future success.

THE KEY TO OUR SUCCESS COMES FROM OUR CORE VALUE: "SCIENCE DRIVES INNOVATION"

2020 is the fifth year of InnoCare's development. Five years of rapid development and solid achievements has allowed us to reach a series of milestone this year.

First, we successfully listed on the Hong Kong Stock Exchange (HKEX) on March 23, 2020 despite facing the outbreak of the epidemic and its related impact on the worldwide stock markets. In fact, InnoCare became the first biotech company listed on HKEX in 2020, thus paving the way for the listing of more Chinese biotech companies on this exchange.

Second, our innovative BTK inhibitor, orelabrutinib, was approved for marketing in China on December 25, 2020. This significant regulatory achievement was predicated upon years of advancement in the laboratory and in the clinic. It marks the entry of InnoCare into the commercial stage.

At the same time, our pipeline of more than 10 drug candidates has been progressing smoothly. Orelabrutinib was cleared by the U.S. FDA to start Phase II clinical studies for the treatment of multiple sclerosis (MS). Additionally, we achieved a series of milestones for both oncology and autoimmune diseases, with continuous progress from ICP-192, ICP-723, ICP-332, ICP-189, ICP-490, etc.

Meanwhile, we have set up a strong commercial team to promote orelabrutinib to benefit more patients. We completed the construction of the first phase of our Guangzhou drug production site in December of 2020. As a result, we have connected the entire biopharmaceutical value chain from discovery, clinical development, production to commercialization.

InnoCare has made significant achievements in a relatively short time, this is the epitome of the era that Chinese innovative bio-tech companies are experiencing. Looking back on the success we have achieved in the past five years, we can conclude that innovation is our core competitiveness, and it is also the foundation of InnoCare to achieve more in the booming bio-tech industry.

FUTURE YEARS TO EMBRACE MORE GLORIES

On our road of development, our management team, discovery, clinical development and commercialization capabilities continue to improve. We strive for excellence in our businesses and will further strengthen our capabilities in all aspects of drug R&D such as biological research, target discovery, medicinal chemistry, translational research, clinical trials, etc., to create a more competitive product pipeline. Looking forward, we will consistently invest in innovation so that we may bring patients the best possible treatment options.

We will continue to advance our product pipeline and push forward more drug candidates into the clinical development. In the next 18 months, we expect to have six to eight drug candidates entering to clinical trials, which will bring our total number of clinical drug candidates to more than 10. In the next a few years, we will have more innovative drugs commercialized and will gain significant returns from our investments.

Meanwhile, our commercial team will innovate their business models, and explore strategic business opportunities so that orelabrutinib can benefit more patients.

Our management team has global visions and we will deepen our global footprint, advance multi-center clinical trials globally, and explore external cooperation and commercialization opportunities around the world, so that ultimately, we will build a world-class bio-pharma company.

We are fully aware that talents, technology, and innovation capabilities are key elements to our future success. We will continue to sharpen our talent pool and attract more global talents into InnoCare.

Finally, on behalf of all employees of InnoCare, I would like to thank our partners, investors, and all our stakeholders for your strong support. We remain highly focused on our mission to improve public health globally through innovation.

Yours faithfully,

Dr. Jisong Cui
Chairperson and executive Director

March 26, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

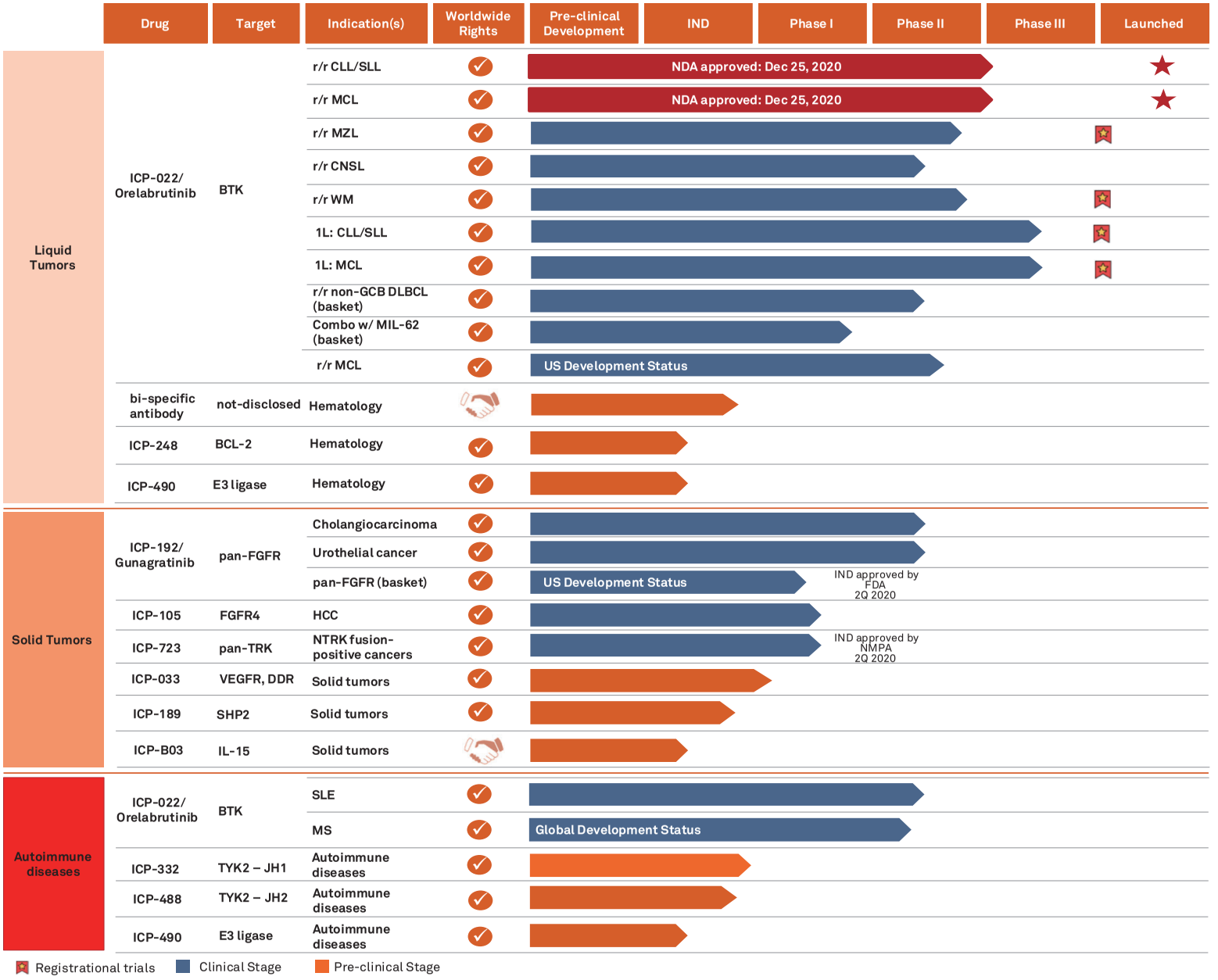
OVERVIEW

InnoCare is a commercial stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancers and autoimmune diseases – two large therapeutic areas with significant market opportunity and synergies. Led by a well-known management team of seasoned industry executives, we have built a fully integrated biopharmaceutical platform with strong in-house R&D, clinical development, manufacturing and commercialization capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates target both novel and evidence-based biological pathways. Our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. Our strategy is to rapidly advance our clinical programs and seek approval to commercialize our product candidates in China. At the same time, we are expanding clinical trials globally including the United States for promising indications to maximize the commercial value of our assets.

Product Pipeline

In the past five years, we have built a robust pipeline that includes one commercial product with two approved indications, three assets in Phase I/II trials and several others at the IND enabling stage. The following chart summarizes our pipeline and the development status of each clinical stage candidate and select IND-enabling stage candidates.


Drug
Target
Indication(s)
Worldwide Rights
Pre-clinical Development
IND
Phase I
Phase II
Phase III
Launched
Liquid Tumors
ICP-022/ Orelabrutinib
BTK
r/r CLL/SLL
NDA approved: Dec 25, 2020
r/r MCL
NDA approved: Dec 25, 2020
r/r MZL
r/r CNSL
r/r WM
1L: CLL/SLL
1L: MCL
r/r non-GCB DLBCL (basket)
Combo w/ MIL-62 (basket)
r/r MCL
US Development Status
bi-specific antibody
not-disclosed
Hematology
ICP-248
BCL-2
Hematology
ICP-490
E3 ligase
Hematology
Solid Tumors
ICP-192/ Gunagratinib
pan-FGFR
Cholangiocarcinoma
Urothelial cancer
pan-FGFR (basket)
US Development Status
IND approved by FDA 2Q 2020
ICP-105
FGFR4
HCC
ICP-723
pan-TRK
NTRK fusion-positive cancers
IND approved by NMPA 2Q 2020
ICP-033
VEGFR, DDR
Solid tumors
ICP-189
SHP2
Solid tumors
ICP-B03
IL-15
Solid tumors
Autoimmune diseases
ICP-022/ Orelabrutinib
BTK
SLE
MS
Global Development Status
ICP-332
TYK2 – JH1
Autoimmune diseases
ICP-488
TYK2 – JH2
Autoimmune diseases
ICP-490
E3 ligase
Autoimmune diseases
Registrational trials
Clinical Stage
Pre-clinical Stage

BUSINESS REVIEW

Orelabrutinib

Orelabrutinib is a highly selective, irreversible BTK inhibitor for the treatment of various B-cell malignances and autoimmune diseases that we are currently investigating in a broad clinical program in China and globally. On December 25, 2020, Orelabrutinib received approval from the China NMPA in two indications: (i) the treatment of patients with r/r CLL/SLL; (ii) the treatment of patients with r/r MCL. Both indications were approved based on 12-month safety and efficacy data. Presently, our 150-plus person commercial team is actively marketing Orelabrutinib in China. Over the next year, we will expand market coverage and continue to broaden Orelabrutinib's treatment indications.

For a detailed overview of the Mechanism of Action of a BTK inhibitor, please see our Prospectus.

Summary of Clinical Data

To date, we have dosed over 400 patients across all of our clinical trials. The clinical data indicates that Orelabrutinib's high target selectivity and exceptional target occupancy rate have resulted in favorable safety and efficacy profiles. Orelabrutinib's latest published clinical data, which were presented at the 62nd American Society of Hematology Meeting that took place on December 5 – 8, 2020, gave updated 12-month safety and efficacy analyses from both of our r/r CLL/SLL and r/r MCL trials. In this report, we have incorporated selected elements from the r/r MCL study, the r/r CLL/SLL study and a combined safety profile study. The full study results can be found on the ASH publication website.

Orelabrutinib for CLL/SLL

A Phase II open-label, multicenter, study of Orelabrutinib was conducted to treat patients with r/r CLL/SLL. Patients were treated with Orelabrutinib, given 150 mg orally once daily (QD). The primary endpoint was objective response rate ("**ORR**"). The duration of response ("**DOR**"), progression-free survival ("**PFS**") and safety chosen as secondary endpoints. A total of 80 patients with r/r CLL (n=70)/SLL (n=10) were enrolled. The median follow-up time was 14.3 months, and the last patient completed a minimum of 12 cycles of Orelabrutinib treatment.

The efficacy results, presented below, were evaluated by Independent Review Committee ("**IRC**"). Following a minimum of 12 cycles treatment, the ORR (PR-L or above) was 91.3% including 10% complete response (CR), 63.8% partial response (PR) and 17.5% PR-L. Median time for achieving first response was 1.87 months. The median DOR, PFS and OS were not reached. The estimated 12-month DOR was 77.1%, PFS 81.1% and OS 86.3%.

Orelabrutinib for CLL/SLL

	Orelabrutinib IRC (ICP-CL-00103, N=80)
Median Follow-up Time	14.3 months
ORR	91.3%
CR	10%
PR	63.8%
PR-L	17.5%

Most adverse events ("**AEs**") were mild to moderate. The most frequent AEs of any cause were well characterized as hematological toxicities: thrombocytopenia, neutropenia, and anemia; upper respiratory tract infection, pneumonia and hypokalemia. No case of atrial fibrillation nor secondary malignancy was reported, no patient was observed having severe hypertension and only one patient had grade 3 or above diarrhea. Major hemorrhage was reported in 2 patients, one with intracranial hemorrhage (65-year-old male patient with more than 10 years of hypertension) and the other with vitreous hemorrhage which was resulted from posterior vitreous detachment that was assessed as unlikely to be related to the treatment of Orelabrutinib.

This study confirms that Orelabrutinib has an excellent safety profile and is efficacious in treating r/r CLL patients. Orelabrutinib showed a significant higher CR rate compared to other BTK inhibitors at a similar treatment period. This trial is still ongoing, and we anticipate a further increase of CR rate with longer duration of treatment.

Orelabrutinib for MCL

A Phase II open-label, multicenter, two stage study was conducted to evaluate the long-term safety and efficacy of Orelabrutinib as a monotherapy for r/r MCL. The primary endpoint was ORR assessed per Lugano criteria. Safety and other efficacy (DOR, PFS, overall survival (OS)) evaluations were chosen as secondary endpoints. A total of 106 patients were enrolled with a median follow up time of 15.0 months.

The efficacy results were evaluated by IRC. According to per protocol analysis, 87.9% ORR and 93.9% disease control rate were achieved. The CR-rate was 27.4% when measured with the conventional computerized tomography (CT) method, and was 42.9% when assessed by Positron Emission Tomography (PET) based imaging. The 12-month DOR was 73.7% and the PFS and OS rates were 70.8% and 88.7% respectively. The median DOR, PFS and OR were not reached.

Orelabrutinib showed an excellent safety profile in r/r MCL patients. The frequently reported treatment related adverse events ("**TRAE**") were primarily hematological toxicities including thrombocytopenia, neutropenia, leukopenia and hypertension. The most frequently reported grade 3 or higher AEs of any cause was thrombocytopenia. No treatment related grade 3 or above GI toxicity, cardio toxicity or severe bleeding were observed. Compared to the safety data of a median follow up of 10.5 months, the safety profiles were essentially the same. These results suggested that safety events primarily occurred during early treatment and appeared less eventful with continued Orelabrutinib treatment.

In conclusion, Orelabrutinib has shown high efficacy in treating patients with r/r MCL. Orelabrutinib was safe and well tolerated with no treatment related grade 3 or higher diarrhea, atrial fibrillation/flutter or sever bleeding in this study. This is an ongoing study, and we will continue to evaluate Orelabrutinib as a treatment for MCL. Results of prolonged treatment is expected to produce a higher rate in depth of response while maintaining an exceptional safety profile.

Combined Safety Profile

Orelabrutinib has demonstrated an excellent safety profile. The table below shows AEs of special interests from Orelabrutinib's combined safety profile. Thus far, we have not found any severe atrial fibrillation associated with use of Orelabrutinib, a major concern in patients with potential cardiovascular complications. We have also found a low rate of diarrhea and/or severe diarrhea, a primary side effect among other BTK inhibitors. The improved safety profile, as a result of high target selectivity, combined with the convenience of once-daily dosing, will make Orelabrutinib the preferred treatment option for B-cell malignancies.

AEs of Special Interest

Patients evaluated	N = 266
Grade 3 or 4 Atrial fibrillation	0.0%
Diarrhea	7.1 % (1 case for G3)
Secondary malignancy	0.4% (1 case)
≥ Grade 3 Infection	15.4%

Other Ongoing Clinical Trials

Over the past year we have made considerable progress across all of our B-cell malignancy trials in China, several of which have been endorsed as a registrational trial by the CDE: (i) a Phase II trial of r/r WM where we have completed patient enrollment and expect to submit an NDA in the first half of 2022; (ii) a Phase II trial for r/r MZL where we expect to complete patient enrollment in the second half of 2021; (iii) an ongoing Phase III trial for first-line treatment of CLL/SLL. We have continued to advance: (i) the Phase II trial for r/r CNSL; (ii) the Phase I combinational basket trial with MIL-62, a next generation CD20 antibody. Additionally, we have received CDE approval to begin a Phase III trial of Orelabrutinib in combination with R-CHOP as a first-line treatment for MCL.

In the U.S., we have completed the Phase I B-cell malignancy basket trial and have initiated a Phase II trial for r/r MCL which was granted Orphan Drug Designation by the U.S. FDA late last year.

Because of Orelabrutinib's excellent target selectivity and superior safety profile, we are also evaluating it as a novel therapy for the treatment of autoimmune and neurological diseases. We have initiated a global Phase II trial for MS in the U.S., Europe and China and are continuing with the Phase IIa trial for SLE in China.

ICP-192 (gunagratinib)

Gunagratinib is a potent and highly selective pan-FGFR inhibitor that we are developing for the treatment of various types of solid tumors. Studies have shown that mutations and aberrant activation of FGFRs have been implicated with the development of various cancers, including bile duct, breast, lung, head and neck, gastric and urothelial cancers, accounting for approximately 7.1% of solid tumors. As gunagratinib is currently one of the most advanced clinical stage pan-FGFR inhibitors being developed in China, we believe we are well-positioned to capitalize this market opportunity.

For a detailed overview of the Mechanism of Action of a pan-FGFR inhibitor, please see our Prospectus.

Current Status

Gunagratinib is a novel pan-FGFR (fibroblast growth factor receptors) inhibitor that potently and selectively inhibits FGFR activities irreversibly by covalent binding. Preclinical data showed that gunagratinib overcomes the acquired resistance to the first-generation reversible FGFR inhibitors, e.g., infigratinib. Gunagratinib is currently undergoing Phase I/II clinical studies in China and the U.S. In China, we have completed Phase I trials, which found that gunagratinib was well tolerated with no treatment-related DLT. We are currently progressing gunagratinib through two Phase II trials for advanced cholangiocarcinoma and urothelial cancers, two indications with high incidence of FGFR aberrations. Early efficacy data of the current Phase I/II clinical trial is presented below. Of the 30 patients that were dosed, 12 patients with FGF/FGFR gene aberrations who have completed at least one tumor assessment, the overall response rate (ORR) was 33.3%, including 1 patient (8.3%) of cholangiocarcinoma with complete response (CR) and 3 patients (25%) with partial response (PR). The disease control rate (DCR) was 91.7% (11 of 12 patients).

Gunagratinib early efficacy data in patients with FGF/FGFR alterations

Total patients, n	30
Evaluable patients with FGF/FGFR aberration, n	12
CR, n	1 (8.3%)
PR, n	3 (25%)
SD, n	7 (58.3%)
DCR, %	91.7

In the U.S., we have initiated a Phase I/II dose escalation trial in advanced solid tumors followed by dose expansion trials in cholangiocarcinoma and urothelial cancer. First-patient dosing was completed earlier this year.

ICP-723

ICP-723 is a second-generation small molecule pan-TRK inhibitor designed to treat patients with NTRK gene fusion-positive cancers who were TRK inhibitor treatment-naive or who have developed resistance to the first generation TRK inhibitors, regardless of cancer types. First-generation pan-TRK kinase inhibitors have shown dramatic responses in patients with TRK gene fusions, however, duration of response was limited by acquired resistance. Preclinical data showed that ICP-723 markedly inhibited the activity of the wild type TRKA/B/C as well as mutant TRKA with resistant mutation G595R or G667C, which provides strong evidence that it could overcome acquired resistance to the first-generation TRK inhibitors.

Mechanism of Action

The TRK family consists of 3 proteins referred to as TRKA, TRKB and TRKC, which are encoded by neurotrophic receptor tyrosine kinase genes NTRK1, NTRK2 and NTRK3, respectively. TRKs play an important role in maintaining normal nervous system function. Unwanted joining of separated NTRK genes, or NTRK gene fusions, have been found to contribute to tumorigenesis in a variety of different cancers, with high prevalence in infantile fibrosarcoma, salivary gland carcinomas and thyroid carcinoma. NTRK fusions have also been detected at lower frequencies, in soft-tissue sarcomas, thyroid cancer, mammary analogue secretory carcinoma of salivary glands, lung cancer, colorectal cancer, melanoma, breast cancer, etc.

Current Status

The IND application for ICP-723 was approved by the NMPA in May 2020. We are currently conducting Phase I clinical trials in China to assess the safety, tolerability and PK of ICP-723 in advanced solid tumors and to evaluate the preliminary anti-tumor activity of ICP-723 in patients with NTRK fusions. In the phase I dose escalation, two cohorts (1 and 2 mg) were completed and no treatment related serious AE (SAE) or DLT were observed during DLT observation period in all patients. The PK data showed that the plasma exposure was high, which is within the range of efficacious exposure in preclinical models, and T1/2 is around 18 hours, supporting the once-daily dosing. Dose was escalated to 3 mg in the 3rd cohort and patient with NTRK gene fusion was already enrolled for efficacy evaluation.

ICP-105

ICP-105 is a potential first-in-class, potent and selective FGFR4 inhibitor that we are developing for the treatment of advanced HCC with FGFR4 pathway overactivation. HCC, one of the most lethal cancers, is especially prevalent in China, accounting for nearly 50% of all new cases globally. While several FGFR4 inhibitors are under clinical development, there are currently no marketed FGFR4 inhibitors globally.

For a detailed overview of the Mechanism of Action of a FGFR4 inhibitor, please see our Prospectus.

ICP-105 has the potential to become a promising therapy for HCC and is currently in Phase I dose escalation study to determine its safety, tolerability and PK/PD profile.

IND Stage Drug Candidates

ICP-332

ICP-332 is a small-molecule inhibitor of Tyrosine Kinase 2 ("**TYK2**") that we are developing for the treatment of various autoimmune disorders. TYK2 is a member of the JAK family and plays a critical role in transducing signals downstream of IL-12/IL-23 family interleukin receptors as well as type I interferon (IFN) receptor. These cytokine/receptor pathways drive the functions of T helper 17 (TH17), TH1, B and myeloid cells which are critical in the pathobiology of multiple autoimmune and chronic inflammatory diseases including psoriasis, psoriatic arthritis, inflammatory bowel disease, lupus, atopic dermatitis, and etc. ICP-332 was designed to be a potent and selective TYK2 inhibitor with 400 fold selectivity against JAK2 to avoid the adverse events associated with non-selective JAK inhibitors. Thus, selective inhibition of TYK2 by ICP-332 may offer a potential therapy for multiple autoimmune diseases with better safety profiles.

We submitted the IND application for ICP-332 to the CDE, which was accepted in February of 2021.

ICP-033

ICP-033 is a multi-kinase inhibitor mainly targeting discoidin domain receptor 1 (DDR1) and vascular endothelial growth factor receptor (VEGFR) that inhibits angiogenesis and tumor cell invasion, normalizes abnormal blood vessels, and reverses the immunosuppressive state of the tumor microenvironment. Pre-clinical studies have shown that ICP-033 exhibits strong anti-tumor effects both *in vivo* and *in vitro*. ICP-033 is intended to be used in combination with immunotherapy and other targeted therapy drugs for liver cancer, renal cell carcinoma, colorectal cancer and other solid tumors. We submitted the IND application for ICP-033 to the CDE in April 2021.

ICP-189

ICP-189 is a potent oral allosteric inhibitor of SHP2 with excellent selectivity over other phosphatases. It is being developed for the treatment of solid tumors as a single agent and/or in combinations with other antitumor agents. SHP2 is a non-receptor protein tyrosine phosphatase involved in mediating RAS signaling pathway and immune checkpoint pathway for the regulation of cellular proliferation and survival. We plan to submit the IND application for ICP-189 to the CDE in the second half of 2021.

ICP-488

ICP-488 is a small molecule binder of the pseudokinase domain (Janus Homology 2 or JH2) of TYK2. JH2 has an important regulatory role in TYK2 kinase catalytical activity, and mutations in JH2 have been shown cause of, or be linked with impaired TYK2 activity. ICP-488 is a potent and selective TYK2 allosteric inhibitor that, by binding the TYK2 JH2 domain, blocks IL-23, IL-12, type 1 IFN and other inflammatory cytokine receptors. We intend to develop ICP-488 for the treatment of inflammatory diseases such as psoriasis and IBD. We plan to file the IND application for ICP-488 in the second half of 2021.

ICP-490

ICP-490 is a proprietary, orally available small molecule that modulates the immune system and other biological targets through multiple mechanisms of action. By specifically binding to CRL4CRBN-E3 ligase complex, it induces ubiquitination and degradation of transcription factors including Ikaros and Aiolos.

Clinically, ICP-490 may be used for the treatment of patients with relapsed/refractory multiple myeloma, DLBCL and autoimmune diseases such as systemic lupus erythematosus. We are currently in pre-IND communications with the NMPA and plan to submit the IND application for ICP-490 in the first half of 2022.

ICP-248

ICP-248 is a novel, orally bioavailable B-cell lymphoma-2 (BCL-2) selective inhibitor. BCL-2 is an important part of apoptotic pathway, which is overexpressed in a variety of hematologic malignancies. BCL-2 inhibitors have shown proven anti-tumor effects by activating the endogenous mitochondrial apoptosis pathway that causes rapid cancer cell apoptosis. However, as resistance to existing BCL-2 inhibitors is nearly inevitable, the optimal clinical treatment will be to use them in combination with other treatments. By increasing metabolic stability and reducing impact on liver drug enzymes, we have developed ICP-248 to be more suitable for combinational therapies. Given the outstanding safety and efficacy profile of Orelabrutinib, we are confident that the combination of ICP-248 and Orelabrutinib will overcome resistance seen in existing BCL-2 inhibitors. We intend to develop ICP-248 in combination with Orelabrutinib for the treatment of AML ALL, FL, CLL, DLBCL and other hematological malignancies. We expect to file the IND application for ICP-248 in the first half of 2022.

ICP-B03

ICP-B03 is a tumor-conditional pro-interleukin (IL) – 15 targeting and changing immune cells inside tumor microenvironment. IL-15 is a cytokine that stimulates important anti-tumor immune cells, such as CD8+ T cells and Natural Killer (NK) cells. ICP-B03 has shown strong capabilities in activating and proliferating immune cells without activating inhibitory regulatory T cells (Tregs), leading to a potent and durable anti-tumor response. Preclinical studies of MC31 colon cancer models have shown much longer survival rates compared to those of wild mouse models. ICP-B03 has the potential to improve anti-tumor efficacies of existing therapies, such as immune checkpoint inhibitors, chemotherapies etc. We plan to apply for the IND application for ICP-B03 in the second half of 2022.

Manufacturing

In anticipation of the market launch of Orelabrutinib and other potential drug candidates, we have constructed our own in-house manufacturing facilities and commercialization capabilities. Our 50,000m^2 Guangzhou manufacturing facility complies with GMP requirements of the U.S., Europe, Japan and China, and will have an annual production capacity of one billion pills. We have successfully obtained a manufacturing license for the facility.

Commercialization

Our commercial strategy was developed to facilitate the market launch of Orelabrutinib in China. In the months prior to approval, we have engaged with the top hematology Key Opinion Leaders and designed a large-scale physician education program to portray Orelabrutinib's advantages. By simultaneously focusing on rapid market expansion and building a high-quality brand perception, we aim to strengthen our competitive clinical advantage across all levels of medical services.

Currently, our team consists of 150+ sales and marketing members covering over 500 nationally leading liquid oncology hospitals. We plan to expand the commercialization team to 200 personnel covering over 900 of the top hospitals by the end of 2021.

IMPACT OF THE COVID-19 OUTBREAK

Since the outbreak of the novel coronavirus ("**COVID-19**") in early 2020, the Company has adopted immediate measures to maintain effective and high-quality level of operation. Although we experienced some delays in the patient enrollment process and data entry for certain of our clinical trials in China at the beginning of the COVID-19 pandemic, there has not been any material disruption of our ongoing clinical trials. The COVID-19 pandemic has not caused any early termination of our clinical trials or necessitated removal of any patients enrolled in the clinical trials. In addition, our supply chain has not experienced any material disruption since the outbreak of COVID-19. We have not experienced and currently do not expect any material regulatory delays in respect of our clinical trials or any long-term impact on our operation or deviation from our overall development plans due to the COVID-19 pandemic. We have not experienced any material impact from COVID-19 on the progress, status or filing update of our ongoing research and clinical activities.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to December 31, 2020, the following significant events took place:

On February 2, 2021, the Company and certain investors had entered into two subscription agreements pursuant to which the Company has conditionally agreed to allot and issue and the investors, namely Gaoling Fund L.P., YHG Investment L.P. and Vivo Opportunity Fund, L.P., has conditionally, on a several but not joint basis, agreed to subscribe for an aggregate of 210,508,000 new Shares of the Company, representing approximately 16.33% of the existing total issued shares of the Company as at the date of the subscription agreements and approximately 14.04% of the total issued shares of the Company as enlarged by the allotment and issue of the subscription shares, at the subscription price of HK$14.45 per subscription share, a premium of approximately 8.32% to the average closing price per Shares of HK$13.34 for the five trading days immediately preceding the date of the subscription agreements (not including February 2, 2021).

The gross proceeds and net proceeds from the issue of the subscription shares are estimated to be approximately HK$3,041.84 million and HK$3,041.44 million, respectively. The Company intends to use the net proceeds to (i) expand and accelerate ongoing and planned clinical trials in domestic and international regions; (ii) retain and recruiting domestic and international talents to strengthen the Group's capabilities in discovery, clinical, business development and commercialization functions; (iii) expand commercial team to ensure successful launches of Orelabrutinib and subsequent products; (iv) expand and accelerate internal discovery stage programs including the multiple IND-enabling stage candidates in our pipeline; (v) reserve fund for any potential external collaboration and in-licensing opportunities; and (vi) to use as working capital and other general corporate purpose.

The above-mentioned subscription was completed on February 10, 2021. For details of the said subscription, please refer to the announcements of the Company dated February 3, 2021 and February 10, 2021 available at the websites of the Company at www.innocarepharma.com and the Hong Kong Stock Exchange at www.hkexnews.hk respectively.

On March 11, 2021, the board of directors of the Company resolved that, the Company proposes to issue RMB shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange (the "**Proposed Issue of RMB Shares**"). As the Proposed Issue of RMB Shares is subject to the obtaining of the necessary regulatory approvals and, accordingly, may or may not proceed, shareholders and potential investors should exercise caution when dealing in the securities of the Company. The Company will make further announcement(s) to disclose any developments in respect of the Proposed Issue of RMB Shares in accordance with the Listing Rules and other applicable laws and regulations as and when appropriate.

On March 16, 2021, the Group granted 2,000,000 RSUs which shall be vested at an exercise price of US$0.055 to certain eligible individuals under the 2016 Global Share Plan and 2,680,000 RSUs which shall be vested at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan.

On March 23, 2021, the Group granted 280,000 RSUs which shall be vested at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan.

Save as disclosed, no other important events affecting the Company occurred after December 31, 2020 and up to the date of this report.

FUTURE DEVELOPMENT

To accomplish our vision of becoming a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide, we will focus on pursuing the following aspects:

Continue to develop Orelabrutinib in B-cell malignancies

We have initiated a broad clinical program for Orelabrutinib in various B-cell malignancies in China. We will continue our efforts to advance Orelabrutinib through various Phase II clinical trials for other B-cell malignancies, including MZL, CNSL, WM and non-GCB DLBCL sub-population with double mutations in China. Furthermore, we will continue to pursue the Phase III trial of Orelabrutinib as a first-line treatment of CLL/SLL and MCL in China.

We will continue to advance clinical development of Orelabrutinib in the U.S. and will actively seek ex-China partnerships opportunities to maximize the commercial value of Orelabrutinib globally.

We will continue to progress Orelabrutinib through the combinational basket trial with MIL-62. We intend to further identify and develop promising combination therapies to leverage Orelabrutinib's safety profile demonstrated by clinical data.

Develop Orelabrutinib and other potential candidates for autoimmune diseases

Having recognized the significant market potential in autoimmune diseases and Orelabrutinib's favorable safety profile, we are developing Orelabrutinib as a novel therapy for the treatment of autoimmune diseases.

In China, we will continue to advance Orelabrutinib through the Phase IIa trial for SLE. Globally, we are exploring Orelabrutinib through Phase II global trial to identify the optimal dosing regimen and evaluate its safety and efficacy for the treatment of MS. According to the Multiple Sclerosis International Federation (MSIF), more than 2.8 million people around the world are affected by MS currently. According to Frost & Sullivan Analysis, global market of MS drugs reached US$23.0 billion in 2018, and it is expected to be up to US$48.9 billion by 2030. BTK plays important roles in the development and function of B cells, macrophages, and microglia, which are involved in the immunopathological characteristics of MS. BTK inhibitors have the potential to transform the treatment paradigm of autoimmune diseases including MS. Orelabrutinib has demonstrated sustained anti-inflammatory activity, excellent safety profile and a good level of Brain Blood Barrier (BBB) Penetration capability. After the optimal dosing regimen is identified, we plan to initiate subsequent pivotal clinical studies for MS as well as for other autoimmune diseases, such as ITP, LN, pemphigus and IgG4-RD.

In addition to Orelabrutinib, we are exploring the possibility of treating autoimmune diseases induced by T-cell dysfunctions with other potential candidates. We are developing ICP-332 and ICP-488 (a small molecule binder of the pseudokinase domain (JH2) of TYK2), for the treatment of various T-cell mediated autoimmune diseases, such as psoriasis, IBD and SLE. With both Orelabrutinib as a B-cell pathway regulator and ICP-332 and ICP-488 as a T-cell pathway regulator in hand, we believe we are well-positioned to provide oral drug solutions for the substantial unmet medical needs in autoimmune diseases.

Continue the development of Gunagratinib for solid tumors in China and worldwide

We plan to develop gunagratinib, a pan-FGFR inhibitor, for the treatment of various types of solid tumors. We will continue to advance gunagratinib through Phase II clinical trials for cholangiocarcinoma and urothelial cancer in order to further evaluate its safety and efficacy and to define its registration path. In the U.S., we have completed first patient dosing in a Phase I trial.

In addition, we plan to explore gunagratinib in combination with immune checkpoint inhibitors and other agents to treat solid tumors with FGFR aberrations. Depending on the results of these clinical trials, we intend to expand our clinical development efforts into additional solid tumor indications such as gastric cancers.

Based on clinical trial results, we plan to expand the clinical development of gunagratinib globally by focusing on promising indications and may seek global partnerships as well.

Develop ICP-723 for solid tumors in China and worldwide

We are currently conducting an open-label Phase I/II study to evaluate the safety, tolerability, PK and preliminary efficacy of ICP-723 for the treatment of advanced solid tumors with NTRK gene fusions. The Phase I study is to evaluate the safety, tolerability and PK of ICP-723. The RP2D and Phase II study will be a dose expansion portion to evaluate the efficacy and safety of ICP-723 in the treatment of patients with NTRK gene fusions with or without prior treatment with the first generation of TRK inhibitors.

We are also considering clinical trials in the U.S. to further explore its market and therapeutic potential.

Expand our pipeline through in-house discovery and business development efforts

We will continue to develop our multiple candidates that are currently at IND-enabling stage.

To further enhance our pipeline and optimize our operational efficiency, we will actively pursue in-licensing opportunities that will complement our existing portfolio. A strong emphasis will be placed on licensing assets that allows us to fully leverage and capitalize our commercial and manufacturing platform, and those that have potential synergies with our current pipeline for combination therapies.

FINANCIAL REVIEW

Revenue

	Year Ended December 31,			
	2020		2019	
	RMB'000	**%**	RMB'000	%
	(in thousands, except percentages)			
Revenue from continuing operations				
Research and development services	**1,364**	**100**	1,247	100

Our revenue increased by 9.4% from RMB1.2 million in 2019 to RMB1.4 million in 2020, which was primarily attributable to the increase of service orders.

Gross Profit and Gross Profit Margin

	Year Ended December 31,			
	2020		2019	
	RMB'000	**%**	RMB'000	%
	(in thousands, except percentages)			
Research and development services	**1,364**	**100**	1,247	100

As a result of the foregoing, our gross profit increased from RMB1.2 million in 2019 to RMB1.4 million in 2020.

Segmental Information

Since the Group's revenue and operating losses were mainly from the activities related to research and development in China, and most of the Group's identifiable operating assets and liabilities are located in China, therefore, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Other Income and Gains

Our other income and gains increased by 159.9% from RMB104.4 million in 2019 to RMB271.3 million in 2020, primarily attributable to (i) RMB108.0 million increase in exchange gain due to the IPO offshore RMB exchanging to US$; (ii) RMB24.8 million increase in bank interest income from RMB72.0 million in 2019 to RMB96.8 million in 2020; and (iii) RMB36.1 million increase in government grants from PRC local government authorities to support our subsidiaries' research and development activities from RMB28.3 million in 2019 to RMB64.4 million in 2020.

Research and development costs

Our research and development costs increased by 89.0% from RMB213.1 million in 2019 to RMB402.8 million in 2020, primarily due to the expansion of our clinical trials and the increase in share-based compensation. Such increase in R&D costs resulted from the following:

	Year Ended December 31,			
	2020		2019	
	RMB'000	%	RMB'000	%
Employee cost	83,713	20.8	50,176	23.5
Share-based compensation	180,983	44.9	57,165	26.8
Third party contracting cost	45,990	11.4	38,332	18.0
Direct Clinical trial expenses	50,710	12.6	37,456	17.6
Depreciation and amortisation	6,467	1.6	5,377	2.5
Others	34,908	8.7	24,617	11.6
Research and development costs	402,771	100.0	213,123	100.0

(i) RMB33.5 million increase of R&D employees cost from RMB50.2 million to RMB83.7 million;

(ii) RMB123.8 million increase of Share-based compensation from RMB57.2 million to RMB181.0 million;

(iii) RMB7.7 million increase of third party contracting cost from RMB38.3 million to RMB46.0 million;

(iv) RMB13.2 million increase of direct clinical trial expenses from RMB37.5 million to RMB50.7 million.

Administrative Expenses

Our administrative expenses increased by 40.5% from RMB63.6 million in 2019 to RMB89.4 million in 2020, primarily attributable to (i) an increase in employee cost of our administrative personnel from RMB20.0 million to RMB31.2 million; (ii) an increase in professional fees from RMB3.3 million to RMB9.7 million; and (iii) an increase in listing expense from RMB20.8 to RMB24.6 million.

	Year Ended December 31,			
	2020		2019	
	RMB'000	%	RMB'000	%
Employee cost	**31,227**	**34.9**	19,960	31.4
Depreciation and amortisation	**3,458**	**3.9**	3,648	5.7
Professional fees	**9,661**	**10.8**	3,306	5.2
Listing expense	**24,589**	**27.5**	20,846	32.8
Share-based compensation	**9,745**	**10.9**	7,349	11.6
Others	**10,691**	**12.0**	8,514	13.3
Administrative Expenses	**89,371**	**100.0**	63,623	100.0

Other expenses

Our other expenses decreased by 78.8% from RMB159.9 million in 2019 to RMB33.9 million in 2020, primarily due to the decrease of RMB127.5 million of fair value changes of the convertible loan with Guangzhou Kaide Technology Development Co., Ltd from RMB159.9 million to RMB32.4 million.

	Year Ended December 31,			
	2020		2019	
	RMB'000	%	RMB'000	%
Fair value changes of convertible loan	**32,374**	**95.6**	159,907	100.0
Non-operating expenses	**1,489**	**4.4**	2	0.0
Other Expenses	**33,863**	**100.0**	159,909	100.0

Selling and Distribution Expenses

Our selling and distribution expenses increased from RMB3.5 million in 2019 to RMB68.2 million in 2020, primarily attributable to the launching of Orelabrutinib before the year end and relevant sales and distribution expenses increased, including (i) an increase in employee cost of our sales and marketing personnel from RMB1.1 million to RMB25.5 million; (ii) an increase in market research and market promotion from RMB0.1 million to RMB16.0 million; and (iii) an increase in share-based compensation from RMB1.3 million to RMB21.6 million.

	Year Ended December 31,			
	2020		2019	
	RMB'000	%	RMB'000	%
Employee cost	**25,487**	**37.4**	1,101	31.8
Share-based compensation	**21,550**	**31.6**	1,291	37.3
Market research and market promotion	**15,964**	**23.4**	110	3.2
Others	**5,207**	**7.6**	956	27.7
Selling and Distribution Expenses	**68,208**	**100.0**	3,458	100.0

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares is RMB141.6 million in 2020 comparing to RMB1,814.0 million in 2019, primarily attributable to the preferred shares converting to common shares due to the IPO in the first half of 2020.

Finance Costs

Our finance costs decreased from RMB1.9 million in 2019 to RMB1.1 million in 2020, primarily due to the decrease in the transaction costs for the issue of our convertible redeemable preferred shares.

Analysis of Key Items of Financial Position

Net Current Assets

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

	As of December 31,	
	2020	2019
	(RMB'000)	
CURRENT ASSETS		
Inventories	**1,878**	–
Trade receivables	**152**	37
Prepayments, other receivables and other assets	**120,563**	36,590
Financial assets measured at fair value through profit or loss	**–**	80,347
Cash and bank balances	**3,969,640**	2,291,773
Total current assets	**4,092,233**	2,408,747
CURRENT LIABILITIES		
Trade payables	**5,520**	8,197
Other payables and accruals	**85,454**	41,528
Deferred income	**6,646**	645
Lease liabilities	**6,833**	6,204
Loans from a related party	**–**	9,098
Total current liabilities	**104,453**	65,672
NET CURRENT ASSETS	**3,987,780**	2,343,075

We had net current assets of RMB3,987.8 million as of December 31, 2020, which was primarily attributable to our cash and bank balances of RMB3,969.6 million and prepayments, other receivables and other assets of RMB120.6 million, partially offset by other payables and accruals of RMB85.5 million.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets increased from RMB36.6 million as of December 31, 2019 to RMB120.6 million as of December 31, 2020, primarily due to (i) RMB28.9 million increase in deductible VAT input from RMB18.8 million as of December 31, 2019 to RMB47.7 million as of December 31, 2020; (ii) RMB18.6 million increase in interest receivable from RMB7.6 million as of December 31, 2019 to RMB26.2 million as of December 31, 2020; and (iii) RMB31.0 million increase in R&D prepayments from RMB8.2 million as of December 31, 2019 to RMB39.2 million as of December 31, 2020.

	As of December 31,	
	2020	2019
	(RMB'000)	
Value-added tax recoverable	**47,723**	18,789
Prepayments	**39,227**	8,247
Interest receivable	**26,236**	7,620
Other receivables	**7,377**	1,934
Prepayments, other receivables and other assets	**120,563**	36,590

The Property, Plant and Equipment

The property, plant and equipment increased from RMB48.5 million as of December 31, 2019 to RMB306.4 million as of December 31, 2020, which is mainly caused by Guangzhou InnoCare construction in progress achieving major progress.

Guangzhou InnoCare is located at 18 Kangzhao San Road, Huangpu, Guangzhou, China, with a land site and gross floor area of approximately 83,000 square meters and 65,000 square meters, respectively. The current construction plan of Guangzhou InnoCare comprises two stages. As at the date of this report, we have completed stage one, and stage two is expected to be completed in the first half of 2023. Guangzhou InnoCare is owned as to 93% by the Company. It is estimated that the construction costs of stage two of Guangzhou InnoCare would be approximately RMB200 million, which will be paid out of the Group's working capital.

Trade Receivables

	2020	2019
	RMB'000	RMB'000
Trade receivables	**152**	37

The Group's trade receivables are caused by providing testing service, and our trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables are immaterial and relate to several customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**152**	37

Trade Payables

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2020	2019
	RMB'000	RMB'000
Within 3 months	**3,987**	8,197
3 to 6 months	**382**	–
6 to 12 months	**1,086**	–
Over 12 months	**65**	–
	5,520	8,197

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

Other Payables and Accruals

Our other payables and accruals increased from RMB41.5 million as of December 31, 2019 to RMB85.5 million as of December 31, 2020, primarily due to (i) an increase in payables for property, plant and equipment from RMB16.1 million as of December 31, 2019 to RMB30.7 million as of December 31, 2020; (ii) an increase in accrual payables from nil as of December 31, 2019 to RMB23.9 million as of December 31, 2020; and (iii) an increase in payroll payables from RMB9.5 million as of December 31, 2019 to RMB26.3 million as of December 31, 2020.

	As of December 31,	
	2020	2019
	(RMB'000)	
Payables for property, plant and equipment	**30,746**	16,105
Payroll payables	**26,305**	9,543
Accruals	**23,902**	–
Taxes other than income tax	**1,401**	529
IPO related service payables	**–**	14,672
Others	**3,100**	679
Other Payables and Accruals	**85,454**	41,528

Indebtedness and finance lease

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31, 2020	2019
	(RMB'000)	
Included in current liabilities		
Lease liabilities	**6,833**	6,204
Included in non-current liabilities		
Lease liabilities	**17,165**	3,394
Total indebtedness	**23,998**	9,598

Our total indebtedness increased from RMB9.6 million as of December 31, 2019 to RMB24.0 million as of December 31, 2020, due to the increase of office lease liabilities.

Convertible loan

The convertible loan increased from RMB1,117 million as of December 31, 2019 to RMB1,150 million as of December 31, 2020, which was caused by the fair value change.

Deferred income

The deferred income decreased from RMB158.0 million as of December 31, 2019 to RMB106.6 million as of December 31, 2020, due to the recognization of government grants to Guangzhou Innocare.

Key Financial Ratios

The following table sets forth our selected key financial ratio:

	As of/for the year ended December 31, 2020	2019
Current ratio	**39.2**	36.7

Current ratio equals current assets divided by current liabilities as of the end of the year.

The increase in current ratio was primarily due to the increase of cash and bank balances from RMB2,291.8 million as of December 31, 2019 to RMB3,969.6 million as of December 31, 2020, and increase of prepayments, other receivables and other assets from RMB36.6 million as of December 31, 2019 to RMB120.6 million as of December 31, 2020, partially offset by a decrease in financial assets measured at fair value through profit or loss from RMB80.3 million as of December 31, 2019 to nil as of December 31, 2020.

LIQUIDITY AND FINANCIAL RESOURCES

We expect our liquidity requirements to be satisfied by a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds from the IPO.

We currently do not have any plan for material additional external debt financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

On March 23, 2020, 250,324,000 Shares of US$0.000002 each were issued at a price of HK$8.95 per Share in connection with the Company's Listing on the Hong Kong Stock Exchange. The proceeds of HK$3,883 representing the par value of shares, were credited to the Company's share capital. The remaining proceeds of HK$2,240.4 million (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from U.S. dollar to Hong Kong dollar is made at the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States as of March 23, 2020.

On April 15, 2020, the international underwriters of the Global Offering exercised the over-allotment option in full, pursuant to which the Company is required to allot and issue the option shares, being 37,548,000 Shares, representing approximately 15% of the maximum number of shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds from the exercise of the over-allotment option were approximately HK$322.59 million (after deducting the commissions and other offering expenses payable by the Company in relation to the exercise of the over-allotment option).

On February 10, 2021, pursuant to two subscription agreements entered into between the Company and certain investors, a total of 210,508,000 Shares of the Company were subscribed at a subscription price of HK$14.45 fee subscription share. For further details, please refer to the section headed "Events After the End of the Reporting Period" in the report.

As of December 31, 2020, our Cash and bank balances were RMB3,969.6 million, as compared to RMB2,291.8 million as of December 31, 2019. The increase was mainly due to the funds we received from our financing activities. Our primary uses of cash are to fund research and development efforts of new drug candidates, working capital and other general corporate purposes. Our cash and cash equivalents are held in RMB, USD, AUD and HKD.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2020, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

GEARING RATIO

The gearing ratio (calculated as total debt divided by total assets. Total debt includes loans and borrowings and convertible loan) and multiplied by 100% as at December 31, 2020 was 25% (December 31, 2019: 43%).

The Board and the Audit Committee constantly monitor current and expect liquidity requirements to ensure that the Company maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2020, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

CONTINGENT LIABILITIES AND LITIGATIONS

As of December 31, 2020, we did not have any material contingent liabilities and litigations.

FOREIGN EXCHANGE RISK

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents, time deposits, trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

LIQUIDITY RISK

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by its management to finance the operations and mitigate the effects of fluctuations in cash flows.

PLEDGE OF ASSETS/CHARGE ON ASSETS

There was no pledge of the Group's assets as of December 31, 2020.

EMPLOYEES AND REMUNERATION

As of December 31, 2020, the Group had a total of 452 employees. The following table sets forth the total number of employees by function:

	As of/for the year ended December 31,	
	2020	2019
Function		
Research and development	**190**	156
Manufacturing	**81**	27
Selling and marketing	**139**	2
General and administrative	**42**	29
Total Employees	**452**	214

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security scheme and other welfare payments. In accordance with applicable Chinese laws, we have provided social security insurance (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Dr. Jisong Cui, Ph.D., aged 57, has been a Director since November 3, 2015 and our Chief Executive Officer since August 18, 2016. Dr. Cui was re-designated as an Executive Director and was appointed as the Chairperson of the Board on September 27, 2019. Dr. Cui has been one of the key management members of the Company and has been actively involved in its business, strategy and operational management since its establishment.

Dr. Cui has over 20 years of experience in research and development and company management in the pharmaceutical industry. She began her career at Merck & Co., where she worked from October 1996 to October 2010, and eventually became the head of its Early Development Teams in the U.S.. From August 2011 to August 2015, Dr. Cui served as the CEO and CSO of BioDuro LLC., a PPD® Company. She was also elected the 17th president and first female president of the Sino-American Pharmaceutical Association. Dr. Cui has also published more than 50 articles in peer-reviewed journals including Nature, Blood, Proceedings of the National Academy of Sciences and Journal of Biological Chemistry. Moreover, Dr. Cui is the major patentee of three patents, namely Transgenic mice expressing APC resistance Factor V., cloning and expression of dog gonadotropin releasing hormone receptor and DNA encoding monkey gonadotropin releasing hormone receptor.

Dr. Cui received her Bachelor's degree in microbiology from Shandong University in July 1983. She obtained her Doctor of Philosophy degree in biological sciences from Purdue University in December 1992. She completed her post-doctoral training in cardiovascular research at The Howard Hughes Medical Institute in September 1996.

Dr. Renbin Zhao, Ph.D., aged 52, has been a Director since November 3, 2015. Dr. Zhao was re-designated as an Executive Director focusing on biology and clinical development strategy on September 27, 2019. Dr. Zhao has been one of the key management members of the Company and has been actively involved in its business, strategy and operational management since its establishment. Dr. Zhao is the spouse of Dr. Yigong Shi.

From August 2002 to December 2008, Dr. Zhao served in a number of positions, including as a senior scientist, staff scientist and principal scientist at Johnson and Johnson (Discovery). Dr. Zhao joined Shenzhou Tianchen Technology Inc. in March 2010 and served as an investigator from June 2011 to March 2013. From March 2013 to August 2015, Dr. Zhao served as a director of discovery biology at BioDuro. From August 2015 to April 2018, Dr. Zhao served as a senior director of biology in the Company.

Dr. Zhao received her Bachelor's degree in biological sciences and biotechnology from Tsinghua University in July 1991 and obtained her Doctor's degree in the Biochemistry and Molecular Biology program from School of Medicine of Johns Hopkins University in May 1999.

Non-executive Directors

Dr. Yigong Shi, Ph.D. (施一公), aged 53, has been a Director since November 28, 2018. Dr. Shi was re-designated as a Non-executive Director and was appointed as the president of our Scientific Advisory Board on November 3, 2015. Dr. Shi is the spouse of Dr. Renbin Zhao.

Dr. Shi is a globally renowned structural biologist whose research has advanced scientific understanding in the molecular mechanisms behind cell apoptosis. From February 1998 to December 2008, Dr. Shi served in a number of positions, including as an assistant, associate and full professor at Princeton University. Since November 2007, he served in a number of positions at Tsinghua University, including as the dean of the School of Life Sciences, vice president of Tsinghua University and university professor. His drive to enhance global education led him to becoming a founder of Westlake University, at which university he has been serving as the first president since April 2018.

Dr. Shi has received numerous memberships and qualifications as well as awards for his achievements. He has memberships or qualifications from Academician of the Chinese Academy of Sciences, Honorary Foreign Member of the American Academy of Arts and Sciences, Foreign Associate of National Academy of Sciences of the U.S. and Foreign Associate of European Molecular Biology Organisation.

Dr. Shi also received awards and honours including:

- The National Science Fund for Distinguished Young Scholars in 2008, The Irving Sigal Young Investigator Award in 2003;
- The Raymond & Beverly Sackler International Prize in Biophysics, Tel Aviv University, Israel in 2010;
- The Qiu Shi Outstanding Scientist Award, Qiushi Foundation, Hong Kong in 2010;
- The CC Tan Life Science Achievement Award, Shanghai, China in 2010;
- The Gregori Aminoff Prize, Royal Swedish Academy of Sciences in 2014;
- The Ho Leung Ho Lee Award for Achievement in Science and Technology, in 2016;
- The National Innovation Award in 2017; and
- Future Science Prize in Life Sciences in 2017.

The major publications of Dr. Shi in recent years include:

- “Structures of the Human Spliceosomes Before and After Release of the Ligated Exon”;
- “Structures of the Catalytically Activated Yeast Spliceosome Reveal the Mechanism of Branching”;
- “Recognition of the Amyloid Precursor Protein by Human -Secretase”;

- "Structural Basis of Notch Recognition by Human -Secretase";
- "Structure of a Human Catalytic Step I Spliceosome";
- "Structures of the Fully Assembled Saccharomyces Cerevisiae Spliceosome Before Activation";
- "Structure of the Human PKD1/PKD2 Complex"; and
- "Structures of the Human Pre-Catalytic Spliceosome and its Precursor Spliceosome."

Dr. Shi received his Bachelor's degree in biological sciences and biotechnology from Tsinghua University in July 1989 and obtained his Doctor's degree in biophysics and biophysical chemistry at School of Medicine of Johns Hopkins University in May 1995.

Mr. Quanhong Yuan (苑全紅), aged 46, has been a Director since July 31, 2019. Mr. Yuan was re-designated as a Non-executive Director on September 27, 2019.

From April 2001 to October 2002, Mr. Yuan worked at Shanghai Industrial Pharmaceutical Investment Co. Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600607). From November 2002 to March 2004, he worked at Xinneng Industry Investment Co., Ltd. Since September 2010, Mr. Yuan has served as partner and president of Shanghai Jianxin Capital Management Co., Ltd.

Mr. Yuan served as a director of Shenzhen Chipscreen Biosciences Co., Ltd, a company whose shares are listed on the Shanghai Stock Exchange STAR Market (stock code: 688321) from September 2017 to March 2018.

Mr. Yuan received both his Bachelor's degree in materials science and engineering in July 1996 and his Master's degree in management science and engineering in March 2001 at Zhejiang University. He received his Master's of Business Administration degree from China Europe International Business School in March 2008.

Mr. Shan Fu (付山), aged 53, has been a Director since February 5, 2018. Mr. Fu was re-designated as a Non-executive Director on September 27, 2019.

From June 2008 to October 2013, Mr. Fu served as the senior managing director of the Beijing branch of Blackstone (Shanghai) Equity Investment Management Company Limited. Since October 2013, Mr. Fu has served as a joint chief executive officer and the Greater China chief executive officer of Vivo Capital LLC. Since January 2016, Mr. Fu has served as a non-executive director in TOT BIOPHARM International Company Limited ("**TOT**"), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 01875) since November 2019, a company incorporated with limited liability in Hong Kong. Since July 2018, Mr. Fu has served as a non-executive director of Sinovac Biotech Co., Ltd., a company whose shares are listed on the NASDAQ Global Market (stock code: SVA).

Mr. Fu received his Bachelor of Arts degree in history from Peking University in July 1988 and obtained his Master's degree in history from Peking University in July 1991.

Mr. Ronggang Xie (謝榕剛), aged 36, has been serving as a Non-executive Director since March 31, 2021. Mr. Xie has around 10 years of investment experience. He obtained a bachelor's degree and a master's degree in biomedical engineering from Southeast University, the PRC in 2008 and 2011, respectively. Mr. Xie worked at Oriza Cowin from January 2011 to July 2015. He served as a senior investment manager at Loyal Valley Capital from 2015 and was promoted to managing director and partner in 2018 and 2020, respectively. Mr. Xie has been serving as a director of Shanghai Allist Pharmaceutical Technology Co., Ltd. (a company whose shares are listed on the Shanghai Stock Exchange, stock code: 688578) since November 28, 2019. He also has been serving as a non-executive director of Akeso, Inc (a company whose shares are listed on the Stock Exchange, stock code: 09926) since August 19, 2020.

Independent Non-executive Directors

Dr. Zemin Zhang, Ph.D., aged 53, has been serving as an independent Director since March 6, 2016. Dr. Zhang was re-designated as an Independent Non-executive Director of the Company effective as of September 27, 2019 and has been serving the Company as a member of our Scientific Advisory Board since November 2015. During the period when Dr. Zhang served as an independent Director from March 2016 to September 2019, Dr. Zhang provided independent and professional advice to the Board and was not involved in the day-to-day management of the Group.

From January 1998 to August 2014, Dr. Zhang served as a principal scientist at Genentech Inc. Since May 2014, Dr. Zhang has served as a tenured professor at the life sciences department of Peking University. Dr. Zhang is the founder of Analytical BioSciences Limited, and has served on the board since January 2019.

Dr. Zhang served as a member of the Chinese Society for Cell Biology of Bioinformatics and Systems Biology from 2016 to 2019.

Dr. Zhang received his Bachelor of Science degree in genetics from Nankai University in July 1988 and obtained his Doctor's degree in biochemistry and molecular biology from Pennsylvania State University in August 1995.

Ms. Lan Hu (胡蘭), aged 49, was appointed as an Independent Non-executive Director of the Company in March 11, 2020.

Ms. Hu has more than 20 years of experience in accounting. Ms. Hu has served as an independent non-executive director in TOT BIOPHARMA International Company Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 1875). Prior to that, Ms. Hu was the partner of the consulting services department of PricewaterhouseCoopers between July 2008 and June 2018, and she worked at PricewaterhouseCoopers from July 2002. Ms. Hu worked at Arther Andersen from July 1994 to June 2002.

Ms. Hu received her Bachelor's degree in industrial accounting from Beijing Machinery and Industrial Institute in Beijing in July 1994 and obtained her master of business administration degree from the University of Buffalo, the State University of New York in February 2005. Ms. Hu gained her CICPA qualification in March 1997.

Dr. Kaixian Chen Ph.D. (陳凱先), aged 75, was appointed as an Independent Non-executive Director of the Company in March 11, 2020.

Since 1990, Dr. Chen has been a professor of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, and has served as its director between 1996 and 2004, and was appointed as director of its degree committee in 2014. He has also been a professor of the Shanghai University of Traditional Chinese Medicine since 2005, served as president of the university from 2005 to 2014.

Dr. Chen held or currently holds professional memberships and qualifications in different capacities with numerous organisations in the PRC, including:

- as an academician of the Chinese Academy of Sciences (中國科學院) since 1999;
- as deputy chairman of the Chinese Pharmaceutical Association (中國藥學會) ("**CPA**") from 2012 as a director of Medicinal Chemistry Division, CPA (中國藥學會藥物化學專業委員會) since November 2015, and as chairman of the Board of Supervisors, CPA (中國藥學會監事會) since 2017;
- as chairman of the Shanghai Association of Science and Technology (上海市科學技術協會) from 2011 to October 2018;
- as editor in chief of Progress in Pharmaceutical Sciences, Chinese Journal of New Drugs and Clinical Remedies (藥學進展、中國新藥與臨床雜誌); and
- as executive member and deputy president of the National Pharmacopoeia Commission of China (國家藥典委員會) since 2017.

Dr. Chen served as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company whose shares are listed on the Hong Kong Stock Exchange with stock code: 1349) between 2014 and 2015, and has served as an independent non-executive director of Zai Lab Limited (a company whose shares are listed on the NASDAQ with ticker symbol ZLAB and the Hong Kong Stock Exchange with stock code: 9688) and as an independent non-executive director of Innovent Biologics Inc. (a company whose shares are listed on the Hong Kong Stock Exchange with stock code: 1801) since October 2018, and has served as an independent non-executive director of Jiangsu Kanion Pharmaceutical Co. Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600557), since December 2019.

Dr. Chen received his Bachelor's degree in radiochemistry from Fudan University in August 1968 and his Master's degree in quantum chemistry and structural chemistry and Ph.D. in quantum chemistry from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences in February 1982 and February 1985, respectively.

SENIOR MANAGEMENT

Our senior management team, in addition to our Directors listed above, is as follows:

Dr. Jisong Cui, Ph.D., aged 57, is our Executive Director, the Chairperson of the Board and the Chief Executive Officer. Dr. Cui is primarily responsible for the overall strategic planning and business direction of the Group and operational management of the Group. Please see her biography in the part headed "Directors – Executive Directors" in this section.

Dr. Xiang-Yang Zhang, aged 59, has been appointed as the new Chief Medical Officer of the Company since March 1, 2021. Dr. Zhang is primarily responsible for leading clinical development and participating in overall strategic planning and business direction of the Group.

Dr. Zhang has more than 30 years working experience in clinical practice, academic research, and pharmaceutical drug discovery and development, including over 20 years' pharmaceutical R&D experience, spanning from drug discovery, early and late drug development through life cycle management in both large pharma and biotech companies with increasing leadership responsibilities.

Dr. Zhang began his career at Merck & Co., where he served as research scientist in Department of Immunology and Allergy from 1999 to 2004, and then he served in a number of positions in several multinational companies and institution, including as clinical pharmacology fellow and principal investigator in National Institute of Health, clinical leader and medical monitor of Translational Medicine and Early Clinical Development in Johnson and Johnson, medical director of Early Clinical Development in Bristol-Myers Squibb, senior medical director of Translational Medicine and Clinical Development in GlaxoSmithKline from 2004 to 2017. He served as the chief medical officer and on the board of directors in Hengrui Therapeutics Inc. (HTI) Princeton from May 2017 to February 2018, and was promoted to chief executive officer in March 2018.

Dr. Zhang received his Medical Degree from the Third Military Medical University, Chongqing, China in 1984. He completed his post-doctoral training at UCLA School of Medicine in 1993 and Michigan State University in 1998. After passing the United States Medical License Examination (USMLE), Dr. Zhang completed his medical fellowship training at Clinical Center, National Institute of Health, Bethesda, MD. USA in 2006. He was elected as a Fellow of the American College of Clinical Pharmacology (FCP) in 2012.

Mr. Xiaodong Jin (金肖東), aged 49, is our Chief Commercial Officer. Mr. Jin is primarily responsible for leading commercial strategy and operations. He currently heads the sales, marketing, medical affairs, market access and DCM Distribution and Customer Management teams. Mr. Jin has over 20 years' experience in product commercialization. He started his career at Beijing Novartis Pharmaceuticals, working there from 1997 to 2010, being promoted from sales manager to regional sales director, marketing director, and eventually becoming the head of the Novartis Chengdu branch. From 2010 to 2013, Mr. Jin served as the China GM and Head of Greater China at Abbot Laboratories' Diabetes Care Division. From 2013 to 2014, he served as a VP for Bruker Daltonics China and CEO for Shanghai Kehua Bio-engineering Co. Ltd from 2014 to 2015. From 2015 to 2020, Mr. Jin served as the GM of Sanofi China's Cardiovascular BU.

Mr. Jin received his Bachelor of Science degree in food engineering at Zhejiang University of Science and Technology in 1993. He later obtained his EMBA from Peking University in 2011.

Mr. Shaojing Tong (童少靖), aged 49, is the Chief Financial Officer of the Company. Mr. Tong is primarily responsible for the financial and strategic planning, financing and investor relation activities of the Group. Mr. Tong, who has nearly 20 years of experience working for investment banks focusing on the global healthcare sector, has acquired a deep understanding of both the U.S. and Asian healthcare markets. His broad expertise in financial markets and global healthcare industry brings unique capabilities to our management team. From June 2001 to April 2008, Mr. Tong served as an equity analyst in global pharmaceutical equity research at Mehta Partners. From May 2008 to May 2013, Mr. Tong was employed by Bank of America Merrill Lynch with his last position held as director in global research. From July 2013 to May 2019, Mr. Tong was employed by UBS AG with his last position held as executive director in the investment banking research department.

Mr. Tong received his Bachelor of Science degree in material science and engineering from the University of Science and Technology of China (Hefei) in July 1993, his Master's degree in chemistry from the University of Pittsburgh in August 1996 and his master of business administration degree in finance from New York University in May 2001.

Dr. Xiangyang Chen, Ph.D., aged 54, is our Chief Technology Officer. Dr. Chen is primarily responsible for drug discovery and development in therapeutic areas of (immuno-) oncology and autoimmune diseases of the Group. Dr. Chen applies his expertise from therapeutic program selection and execution to medicinal molecule design and candidate deliverable, to process development and IND-enabling, and has played a key role in every important stage of the Company's growth and development. Dr. Chen owns 23 patent applications and 17 peer-reviewed publications.

From July 1994 to November 1999, Dr. Chen was a postdoctoral researcher in Biochemistry at Albert Einstein College of Medicine. From December 1999 to March 2010, Dr. Chen served as principal scientist at Pfizer Inc. Between January 2011 to September 2015, Dr. Chen served as director, senior director and executive director in the department of medicinal chemistry at BioDuro.

Dr. Chen received his Bachelor of Science degree in applied chemistry from Peking University in July 1987 and obtained his Doctor's degree in chemistry from Emory University in August 1994.

PRINCIPAL ACTIVITIES

We are a commercial stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancer and autoimmune diseases. Led by a well-known management team of seasoned industry executives, we have built a biopharmaceutical platform with strong in-house R&D capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

There were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2020. Please refer to note 1 to the Consolidated Financial Statements on page 85 for details of the principal activities of the principal subsidiaries of the Group.

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated financial statements of the Group on pages 79 to 80 of this report.

FINAL DIVIDEND

No dividend has been declared and paid by the Group for the year ended December 31, 2020.

SHARE CAPITAL

Details of the issued shares of the Company during the year ended December 31, 2020 are set out in note 31 to the Consolidated Financial Statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group during the year ended December 31, 2020 are set out in the Consolidated Statement of Changes in Equity on page 82 of this report.

FINANCIAL SUMMARY

The Company's Shares were listed on the Hong Kong Stock Exchange on March 23, 2020. A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the published audited financial information and financial statements, is set out on page 11 of this report.

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2020, the Company had no bank loans or other borrowings. For further details, please refer to note 27 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2020 are set out in note 13 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company intends to use the net proceeds in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The proceeds will be used in the following two to three years following the IPO. The time of such proceeds being fully utilized will be determined based on the Company's actual business needs and future business development. By the end of December 31, 2020, the actual use of proceeds from the IPO is HKD345.4 million, approximately 14% of the IPO proceeds.

	Use of proceeds as stated in the Prospectus (in HKD'000) (approximate)	Actual use of proceeds up to December 31, 2020 (in HKD'000) (approximate)	Net proceeds unutilized as of December 31, 2020 (in HKD'000) (approximate)	Expected timeline for usage of proceeds
50% for ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of Orelabrutinib concurrently in both China and the U.S.	**1,207,835**	**200,330**	**1,007,505**	**All remaining proceeds are expected to be fully utilized by the second half of 2023**
25% for our two clinical stage product candidates, ICP-192 and ICP-105	**603,917.5**	**20,157**	**583,760.5**	
15% for the R&D of the six IND-enabling stage candidates in our pipeline and the R&D and in-licensing of new drug candidates through pursuit of strategic collaborations	**362,350.5**	**53,778**	**308,572.5**	
10% for working capital and general corporate purposes	**241,567**	**71,153**	**170,414**	
	2,415,670	**345,418**	**2,070,252**	

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on Thursday, June 10, 2021. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Monday, June 7, 2021 to Thursday, June 10, 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, June 4, 2021.

BUSINESS REVIEW

Overview and Performance of the Year

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairperson's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the Reporting Period is set out in the section headed "Management Discussion and Analysis – Events After the End of the Reporting Period" on page 23 to 24 of this report.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, medical experts, patients, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them.

The Group believes that it is vital to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of the Group's workforce, the Group provides the employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations.

The Group conducts academic marketing activities to establish and maintain relationships with key opinion leaders in the national medical system. The Group provides these experts with detailed information on its products and helps them make independent comparison among competing products in the market. The Group also maintains long-term cooperative relationships with medical experts to help raise the Group's profile, enhance awareness of Group's products in the medical community and among patients, and provide it with valuable clinical data to improve the Group's products.

For details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report" of the Company which will be available on our website within three months from the publication of this report.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules, the "Environmental, Social and Governance Report" of the Company will be available on our website within three months from the publication of this report.

Compliance with Relevant Laws and Regulations

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") and the CG Code for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code. For further details, please refer to the section headed "Compliance with the Corporate Governance Code" in this section. The Group has also complied with other relevant laws and regulations that have a significant impact on the operations of the Group. Please refer to the section headed "Regulatory Environment" in the Prospectus for details.

Key Risks and Uncertainties

There are certain key risks and uncertainties involved in our operations, some of which are beyond our control. Set out below are the material risks and uncertainties that we face:

- our financial position;
- our ability to obtain additional financing to fund our operations;
- our ability to development and commercialize our drug candidates, all of which are in pre-clinical or clinical development;
- our ability to identify additional drug candidates;
- our success in demonstrating safety and efficacy of our drug candidates to the satisfaction of regulatory authorities or produce positive results in our clinical trials;
- material aspects of the research, development and commercialization of our products being heavily regulated;

- in conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of the regulatory authorities for our drug candidates;
- changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies;
- our business benefits from certain discretionary financial incentives granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations;
- competition in the pharmaceutical industry where the Group serves; and
- our ability to obtain and maintain patent protection for our drug candidates.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

PROSPECTS

A description of the future development in the Company's future business is provided in the sections headed "Chairperson's Statement" and "Management Discussion and Analysis" of this report.

IMPACT OF THE COVID-19 OUTBREAK

Since the outbreak of the novel coronavirus ("**COVID-19**") in early 2020, the Company has adopted immediate measures to maintain effective and high-quality level of operation. Although we experienced some delays in the patient enrollment process and data entry for certain of our clinical trials in China at the beginning of the COVID-19 pandemic, there has not been any material disruption of our ongoing clinical trials. The COVID-19 pandemic has not caused any early termination of our clinical trials or necessitated removal of any patients enrolled in the clinical trials. In addition, our supply chain has not experienced any material disruption since the outbreak of COVID-19. We have not experienced and currently do not expect any material regulatory delays in respect of our clinical trials or any long-term impact on our operation or deviation from our overall development plans due to the COVID-19 pandemic. We have not experienced any material impact from COVID-19 on the progress, status or filing update of our ongoing research and clinical activities.

DIRECTORS

The Directors during the year ended December 31, 2020 and up to the date of this report are:

Executive Directors

Dr. Jisong Cui *(Chairperson and Chief Executive Officer)*
Dr. Renbin Zhao

Non-executive Directors

Dr. Yigong Shi
Mr. Quanhong Yuan
Mr. Shan Fu
Mr. Ronggang Xie (appointed in March 31, 2021)
Mr. Lijun Lin (resigned in March 31, 2021)

Independent Non-executive Directors

Dr. Zemin Zhang
Ms. Lan Hu
Dr. Kaixian Chen

In accordance with article 108(a) of the Articles of Association, one-third of the Directors shall retire by rotation at every annual general meeting and, being eligible, offer themselves for re-election.

In accordance with article 112 of the Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the existing Board of Directors will hold office until the next following general meeting of the Company and be eligible for re-election at that meeting.

In accordance with article 111 of the Articles of Association, subject to the provisions of the Articles of Association and the Companies Law (2013 Revision) (as consolidated and revised) of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors.

Details of the Directors to be re-elected at the forthcoming AGM are set out in the circular to Shareholders to be dispatched in due course in the manner as required by the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 36 to 42 of this report. Save as disclosed in this report and up to the date of this report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Director and Non-executive Directors has entered into a service agreement with the Company under which the initial term of their service agreement shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice.

Each of our Independent Non-executive Directors has entered into an appointment letter with the Company under which the initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the Independent Non-executive Directors, namely Dr. Zemin Zhang, Ms. Lan Hu and Dr. Kaixian Chen, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our Independent Non-executive Directors have been independent from the date of their appointments to December 31, 2020 and remain so as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at December 31, 2020, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Company's Shares

Name of Director or CEO	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[1]
Dr. Jisong Cui	Interest in controlled corporation, trustee	114,129,916[2]	8.85%
Dr. Renbin Zhao	Interest in controlled corporation, trustee	155,574,893[3]	12.07%
Dr. Yigong Shi	Immediate family of a beneficial owner	155,574,893[4]	12.07%
Mr. Quanhong Yuan	Interest in controlled corporation	7,631,000[5]	0.59%
Mr. Lijun Lin (resigned in March 31, 2021)	Interest in controlled corporation	124,727,447[6]	9.68%
Dr. Zemin Zhang	Beneficial owner	11,111,111[7]	0.86%

Notes:

(1) The calculation is based on the total number of 1,289,165,235 Shares issued as at December 31, 2020.

(2) Includes (1) 94,129,916 Shares indirectly held by Dr. Jisong Cui through Sunland BioMed Ltd as beneficial owner and (2) 20,000,000 Shares directly held by Dr. Jisong Cui.

(3) Includes (1) 108,260,375 Shares indirectly held by Dr. Renbin Zhao through Sunny View Holdings Limited as beneficial owner, (2) deemed interest in 27,778,300 Shares held through Wellesley Hill Holdings Limited which in turn is owned by Dr. Renbin Zhao's children whom are under 18 years of age and (3) 19,536,218 Shares directly held by Dr. Renbin Zhao.

(4) Dr. Yigong Shi does not hold any legal or beneficial interest in the share capital of the Company; however, solely pursuant to Part XV of the SFO, Dr. Yigong Shi is deemed to be interested in the same number of Shares interested by his spouse, Dr. Renbin Zhao.

(5) Mr. Quanhong Yuan indirectly held 7,631,000 Shares through Hankang Biotech Fund I, L.P.

(6) Includes 120,911,447 Shares held indirectly through the LVC Entities, and approximately 3,816,000 Shares held by Golden Valley Global Limited.

(7) Includes (1) 7,777,778 Shares held directly by Dr. Zemin Zhang and (2) his entitlement to RSUs equivalent to 3,333,333 Shares, subject to vesting conditions.

Save as disclosed above, as at December 31, 2020, none of the Directors or chief executives of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2020, to the best of the knowledge of the Company and the Directors, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Interests in the Shares and Underlying Shares of the Company

Name of Shareholder	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest[1]
TMF (Cayman) Ltd.	Interest in controlled corporation	136,509,788[2]	10.59%
GIC Private Limited	Interest in controlled corporation	119,404,645[3]	9.26%
Vivo Capital VIII, LLC	Interest in controlled corporation	104,133,118[4]	8.08%
LVC Entities	Interest in controlled corporation	124,727,447[5]	9.68%
Mr. Hebert Pang Kee Chan	Interest in controlled corporation	161,444,332[6]	12.52%

Notes:

(1) The calculation is based on the total number of 1,289,165,235 Shares issued as at December 31, 2020.

(2) Golden Autumn Group Limited held 74,161,525 Shares and Strausberg Group Limited held 62,348,263 Shares. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust, TMF (Cayman) Ltd., incorporated for the purpose of holding Shares pending further grant and vesting of awards, underlined by the aggregate number of the foregoing Shares, in directors, senior management and employees of the Group or their affiliates, pursuant to the Pre-IPO Incentivisation Plans. For details of the Shares already issued pursuant to the said plans, please refer to the section titled "Pre-IPO Incentivisation Plans" in this report. As such, under the SFO, each of Lakeview Trust and Summit Trust (through their interest in controlled corporation) and TMF (Cayman) Ltd. (through capacity as trustee), are deemed to be interested in 74,161,525, 62,348,263 and 136,509,788 Shares, respectively.

(3) Highbury Investment Pte Ltd directly held 56,859,355 Shares. For the purpose of the SFO, Highbury Investment Pte Ltd is also deemed to have an interest in 45,487,484 Shares held by Loyal Valley Capital Advantage Fund II LP and 17,057,806 Shares held by LVC Lion Fund LP as a limited partner with over one-third limited partnership interests in both Loyal Capital Advantage Fund II LP and LVC Lion Fund LP, respectively. To the best knowledge of the Company, Highbury Investment Pte Ltd is a private limited company incorporated in Singapore owned by GIC (Ventures) Private Limited and managed by GIC Special Investments Private Limited, which in turn is wholly-owned by GIC Private Limited. As such, under the SFO, each of GIC (Ventures) Private Limited, GIC Special Investments Private Limited and GIC Private Limited (through their interest in a controlled corporation) is deemed to be interested in the 119,404,645 Shares which Highbury Investment Pte Ltd has an interest in.

(4) (i) Vivo Capital Fund VIII, L.P. held 74,733,339 Shares, and (ii) Vivo Capital Surplus Fund VIII, L.P. held 10,319,779 Shares. Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P. and Vivo Opportunity Fund, L.P. (collectively, the "Vivo Funds") held 19,080,000 Shares. Vivo Capital VIII, LLC is the general partner of each of Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., and Vivo Opportunity, LLC is the general partner of Vivo Opportunity Fund, L.P.. To the best knowledge of the Company, each of Vivo Capital is controlled by their general partner, Vivo Capital VIII, LLC, which is in turn managed by its management company, Vivo Capital LLC. As such, under the SFO, Vivo Capital VIII, LLC (through its interest in a controlled corporation) is deemed to be interested in the 104,133,118 Shares collectively held by Vivo Capital.

(5) The LVC Entities directly and collectively held 120,911,447 Shares. Golden Valley Global Limited is a close associate of the LVC Entities, which held 3,816,000 Shares. For the purpose of the SFO, (i) Prosperous Wealth Global Limited is deemed to have an interest in 58,366,157 Shares held by Loyal Valley Capital Advantage Fund LP as a limited partner with over one-third limited partnership interests; (ii) as the general partner of Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund Limited is deemed to have an interest in 58,366,157 Shares; (iii) as the general partner of Loyal Valley Capital Advantage Fund II LP, Loyal Valley Capital Advantage Fund II Limited is deemed to have an interest in 45,487,484 Shares; and (iv) as the general partner of LVC Lion Fund Limited, LVC Lion Fund Limited is deemed to have an interest in 17,057,806 Shares (through their interest in a controlled corporation). To the best knowledge of the Company, each of the general partners is in turn controlled by LVC Holdings Limited, which is in turn held by LVC Innovate Limited, which is in turn controlled by Jovial Champion Investments Limited. The Lin Family Trust through its trustee, Vistra Trust (Singapore) Pte. Limited, controls Jovial Champion Investments Limited. The LVC Entities are ultimately controlled by Mr. Lijun Lin, one of our Non- executive Directors (resigned in March 31, 2021), through the Lin Family Trust. As such, under the SFO, each of LVC Holdings Limited, LVC Innovate Limited, Jovial Champion Investments Limited and The Lin Family Trust (through their interest in a controlled corporation), Vistra Trust (Singapore) Pte. Limited (through capacity as trustee) and Mr. Lijun Lin (through his interest in a controlled corporation) is deemed to be interested in the 124,727,447 Shares Pte. collectively held by the LVC Entities.

(6) Mr. Hebert Pang Kee Chan indirectly held 161,444,332 Shares consisting of 55,500,000 Shares held through Success Growth Limited, 104,807,145 Shares held through King Bridge Investments Limited and 1,137,187 Shares held through Sun Bridge Holdings Limited. Success Growth Limited directly held 55,500,000 Shares. To the best knowledge of the Company, Success Growth Limited and King Bridge Investments Limited is directly and wholly- owned by Mr. Hebert Pang Kee Chan, and Mr. Hebert Pang Kee Chan holds Sun Bridge Holdings Limited indirectly through Golden Sage Investments Limited.

Save as disclosed above, as at December 31, 2020, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended December 31, 2020 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors confirms that during the year ended December 31, 2020 and up to the date of this report, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business which requires disclosure under Rule 8.10 of the Listing Rules. From time to time our Non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these Non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2020, none of the related parties transactions as disclosed in Note 36 to the Consolidated Financial Statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. During the year ended December 31, 2020, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2020 and up to the date of this report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries during the year ended December 31, 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify out of the assets of the Company, any Director against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceeding, whether civil or criminal, in which judgment is given in his/her favour, or in which he is acquitted. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group as at the end of the Reporting Period.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2020, we had approximately 452 employees (as at December 31, 2019: approximately 214 employees). Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have 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 our employees.

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. The emolument of Executive Directors and senior management of the Group is determined by the Compensation Committee and the emolument of Non-executive Directors is recommended by the Compensation Committee. Details of the Directors' remuneration during the year are set out in note 8 to the Consolidated Financial Statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 9 to the Consolidated Financial Statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

PRE-IPO INCENTIVISATION PLANS

The 2015 Pre-IPO Incentivisation Plan and the 2016 Pre-IPO Incentivisation Plan were adopted and approved by resolutions in writing by the Board and the Shareholders on September 6, 2016. The 2016 Pre-IPO Incentivisation Plan was subsequently amended by resolutions in writing by the Board and Shareholders passed on February 5, 2018. The 2018 Pre-IPO Incentivisation Plan was adopted and approved by resolutions in writing by the Board and the Shareholders on November 28, 2018. The terms of each of the Pre-IPO Incentivisation Plans are substantially similar.

The Pre-IPO Incentivisation Plans shall be subject to the administration of the Board or a committee appointed by the Board. Each award granted under the Pre-IPO Incentivisation Plans shall be evidenced by an award agreement between the Company and a participant, the form of which shall be approved from time to time by the administrator of the Pre-IPO Incentivisation Plans (the "**Administrator**").

The Pre-IPO Incentivisation Plans provides for awards of options, share purchase rights and RSUs.

1. **Options**. On and subject to the Pre-IPO Incentivisation Plans, the Administrator shall be entitled to make an offer to any eligible participant to take up options in respect of such number of Shares as the Administrator may determine and at the exercise price determined by the Administrator in its sole discretion and disclosed under the award agreement. An option shall be deemed exercised when the Company receives (i) notice in writing from the eligible participant to the Company in the specified form under the award agreement; (ii) full payment for the Shares with respect to which the option is exercised, together with any applicable tax withholding; and (iii) all representations, indemnifications and documents requested by the Administrator.

2. **Share Purchase Rights**. On and subject to the Pre-IPO Incentivisation Plans, each share purchase right shall be evidenced by an award agreement. The purchase price and exercise price (as the case may be) shall be determined by the Administrator in its sole discretion and any Shares awarded or sold pursuant to the share purchase rights shall be subject to such forfeiture conditions, rights of repurchase or redemption, rights of first refusal and other transfer restrictions as the Administrator may determine or as provided in the memorandum of association of the Company and the Articles of association.

3. **RSUs**. A restricted share unit may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

Pursuant to the Pre-IPO Incentivisation Plans, the maximum number of Shares in respect of which awards may be granted shall not exceed 274,586,514 Shares which represents approximately 21.3% of the total issued share capital of the Company as at April 22, 2020, being the completion date of the exercise of the Over-allotment Option described in the Prospectus. As at December 31, 2020, an aggregate of 153,591,170 Shares have been issued to directors, senior management and employees of the Group or their affiliates pursuant to share awards already vested, and 20,995,344 Shares have been reserved and are currently held by Golden Autumn Group Limited and Strausberg Group Limited for further grant or vesting of awards under the Pre-IPO Incentivisation Plans. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust, TMF (Cayman) Ltd., established for the purpose of holding Shares pursuant to the Pre-IPO Incentivisation Plans. No employee of the Group shall be granted an award which, if exercised or settled in full, would result in such employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the awards previously granted to him which have been exercised, and, issuable or settled under all the awards previously granted to him which are for the time being subsisting and unexercised, would exceed ten percent (10%) of the aggregate number of Shares for the time being issued and issuable under the plan.

As at December 31, 2020, the aggregate number of underlying Shares pursuant to the outstanding RSUs granted under the Pre-IPO Incentivisation Plans is 62,850,892 Shares in aggregate, representing approximately 4.88% of the total issued share capital of the Company as at December 31, 2020. As at December 31, 2020, there are no outstanding share options or share purchase rights under the Pre-IPO Incentivisation Plans.

Subject to the termination provisions under the Pre-IPO Incentivisation Plans, the Pre-IPO Incentivisation Plans shall be valid and effective for a period of 10 years commencing on the adoption date after which period no further awards will be granted, but the provisions thereof shall in all other respects remain in full force and effect and shall not affect the ability of the Administrator to exercise the powers granted to it under the Pre-IPO Incentivisation Plans with respect to awards granted under the Pre-IPO Incentivisation Plans prior to the date of such termination. For further details, please refer to note 33 to the Consolidated Financial Statements of this report.

POST-IPO RSU SCHEME

During the Reporting Period, the Company has adopted the Post-IPO RSU Scheme by resolutions passed by the Board of the Company in July 6, 2020. The RSU Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. For a summary of the Post-IPO RSU Scheme, please refer to the announcement of the Company dated July 6, 2020, available at the website of the Hong Kong Stock Exchange.

Since the adoption of the Post-IPO RSU Scheme, and up to December 31, 2020, the Company did not grant or vest any RSU pursuant to the Post-IPO RSU Scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company or subsisted during the year ended December 31, 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2020, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 12.6% and 32.2% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 31.3% and 57%, respectively.

During the Reporting Period, we did not generate any revenue from internally-developed product sales. The above-mentioned sales refers to our provision of certain laboratory related services to certain third parties of the Group.

None of our Directors or any of their close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2020.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group has donated RMB1.0 million for the Covid-19 epidemic prevention.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and complied with the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules for the year ended December 31, 2020 to the date of this report, save for the deviation from code provision A.2.1 as disclosed below.

We do not have a separate Chairperson and CEO and Dr. Jisong Cui, our CEO and Chairperson of our Board, currently performs these two roles. Our Board believes that, in view of her experience, personal profile and her roles in the Company as mentioned above, Dr. Jisong Cui is the Director best suited to identify strategic opportunities and focus of the Board due to her extensive understanding of our business as our CEO. Our Board also believes that the combined role of Chairperson and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairperson of our Board and the CEO of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of the Shareholders.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2020 have been audited by Ernst & Young.

Ernst & Young shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

By order of the Board of Directors
InnoCare Pharma Limited
Dr. Jisong Cui
Chairperson

PRC, March 26, 2021

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, for the year ended December 31, 2020 and to the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 of the CG Code which provides that the roles of Chairperson and Chief Executive Officer should be separated and should not be performed by the same individual, details of which are set out on pages 60 to 61 under the section headed "Board of Directors – Chairperson and Chief Executive Officer" of this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended December 31, 2020 and to the date of this report.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company as at the date of this report.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities.

Board Composition

The Board currently comprises nine Directors, consisting of two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors.

Executive Directors

Dr. Jisong Cui *(Chairperson and Chief Executive Officer)*
Dr. Renbin Zhao

Non-executive Directors

Dr. Yigong Shi
Mr. Quanhong Yuan
Mr. Shan Fu
Mr. Ronggang Xie

Independent Non-executive Directors

Dr. Zemin Zhang
Ms. Lan Hu
Dr. Kaixian Chen

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management – Directors" on pages 36 to 42 of this report.

Save as disclosed in this report, to the best knowledge of the Company, there has been no other financial, business, family, or other material/relevant relationships among members of the Board.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of directors.

Code provision A.2.7 of the CG Code requires that the chairperson should at least annually hold meetings with independent non-executive directors without the presence of other directors.

Chairperson and Chief Executive Officer

The roles of the Chairperson and Chief Executive Officer of the Company are held by Dr. Jisong Cui who is a co-founder of the Company.

The Board believes that this structure will not impair the balance of power and authority between our Board and the management of the Company, given that: (i) a decision to be made by the Board requires approvals by at least a majority of Directors and that the Board comprises three Independent Non-executive Directors out of nine Directors, and the Board believes there is sufficient check and balance in the Board; (ii) Dr. Jisong Cui and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefits and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational

policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. The Board also believes that the combined role of Chairperson and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Further, in view of Dr. Jisong Cui's experience, personal profile and her roles in the Company as mentioned above, Dr. Jisong Cui is the Director best suited to identify strategic opportunities and focus of the Board due to her extensive understanding of our business as the Chief Executive Officer. Finally, as Dr. Jisong Cui is the co-founder of the Company, the Board believes that vesting the roles of both Chairperson 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 and communication within the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairperson and Chief Executive Officer is necessary.

Independent Non-executive Directors

For the year ended December 31, 2020 and to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one- third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Appointment and Re-election of Directors

The re-election of each Director was approved by Shareholders at the 2020 annual general meeting of the Company held on June 22, 2020. Each of the Executive Directors and Non-executive Directors has entered into a service agreement with the Company under which the initial term of their service agreement shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice. Each of the Independent Non-executive Directors has entered into an appointment letter with the Company under which the initial term of their appointment letters shall commence from the date of their appointment for a period of three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Under the Article 108(a) of Association, at every AGM of the Company, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Article 112 of the Association also provides that any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company regarding details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of a Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by regular meetings with senior management of the Company to understand the Group's businesses, governance policies and regulatory environment.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2020, all of the Directors participated in a training session conducted by the legal advisers of the Company. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors during the year ended December 31, 2020 and up to the date of this report are summarized as follows:

Directors	Participated in continuous professional development [Note]
Executive Directors	
Dr. Jisong Cui *(Chairperson and Chief Executive Officer)*	✓
Dr. Renbin Zhao	✓
Non-executive Directors	
Dr. Yigong Shi	✓
Mr. Quanhong Yuan	✓
Mr. Shan Fu	✓
Mr. Ronggang Xie (appointed on March 31, 2021)	✓
Mr. Lijun Lin (resigned on March 31, 2021)	✓
Independent Non-executive Directors	
Dr. Zemin Zhang	✓
Ms. Lan Hu	✓
Dr. Kaixian Chen	✓

Note: Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Compensation Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Compensation Committee and the Nomination Committee are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

The list of the chairperson and members of each Board committee is set out under the section headed "Corporate Information" on page 7 of this report.

Audit Committee

The Audit Committee consists of three members, including three Independent Non-executive Directors, namely Ms. Lan Hu, Dr. Zemin Zhang and Dr. Kaixian Chen. Ms. Lan Hu, being the chairperson of the Audit Committee, holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board of Directors.

During the Reporting Period, the Audit Committee scheduled two meetings and all the members of the Audit Committee attended the meeting to, among other things, review the interim and annual results, review the risk management and internal control systems and the effectiveness of the Company's internal audit function.

Compensation Committee

The Compensation Committee consists of three members, including one Executive Director, namely Dr. Jisong Cui, and two Independent Non-executive Directors, namely Ms. Lan Hu and Dr. Zemin Zhang. Ms. Lan Hu is the chairperson of the Compensation Committee.

The terms of reference of the Compensation Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Compensation Committee include (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the Reporting Period, the Compensation Committee scheduled one meeting and all the members of the Compensation Committee attended the meeting to, among other things, review the remuneration policy and structure for the Directors and senior management, make recommendations to the Board on determining the annual remuneration packages of the Directors and the senior management and other related matters, assess and review performance of the Directors and senior management, and approve the terms of the executive director's service contract.

The remuneration payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

	2020 Number of Individual(s)	2019 Number of Individual(s)
Annual Remuneration		
HK$5,500,001 to HK$6,000,000	–	1
HK$7,000,001 to HK$7,500,000	1	–
HK$8,000,001 to HK$8,500,000	–	1
HK$8,500,001 to HK$9,000,000	–	1
HK$11,000,001 to HK$11,500,000	1	–
HK$21,500,001 to HK$22,000,000	1	–
	3	3

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2020 are set out in note 8 and note 9, respectively, to the Consolidated Financial Statements in this report.

Nomination Committee

The Nomination Committee consists of three members, including one Executive Director namely Dr. Jisong Cui, and two Independent Non-executive Directors, namely Dr. Zemin Zhang and Dr. Kaixian Chen. Dr. Jisong Cui is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include without limitation, reviewing the structure, size and composition of the Board, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "**Director Nomination Policy**") that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee scheduled one meeting and all the members of the Nomination Committee attended the meeting to, among other things, review the policy for the nomination of directors and terms of references and recommend to the Board for the nomination, re-appointment of new Directors in accordance with the following procedures and process: (a) the Nomination Committee shall first review and assess factors relating to the diversity of the Board, including but not limited to professional experience, skill, knowledge and length of service, gender, age, cultural and education background, and give consideration to the candidate's willingness to devote adequate time to the Board and independence of each INED based on the requirements of the Listing Rules as amended from time to time; (b) the Nomination Committee shall then nominate suitable candidates to the Board based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company; and (c) the Nomination Committee shall also monitor and review the implementation of the nomination policy, as appropriate from time to time, and will report to the Board annually.

Board Diversity Policy

The Company has a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotechnology, clinical research, life science, finance, investment, and accounting. They obtained degrees in various areas including microbiology, molecular genetics, biological sciences, biophysics, biophysical chemistry, biotechnology, materials sciences, engineering, management science, genetics, biochemistry, molecular biology, history, business administration, world economics and accounting. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 46 years old to 75 years old with experience from different industries and sectors.

The Company is also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the Code. Our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objective.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Reputation for integrity.
- Commitment in respect of available time and relevant interest.
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. For the year ended December 31, 2020 and to the date of this report, save as disclosed in this report, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

For the year ended December 31, 2020 and to the date of this report, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Compensation Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Dr. Jisong Cui *(Chairperson and Chief Executive Officer)*	6/6	–	1/1	1/1	1/1
Dr. Renbin Zhao	6/6	–	–	–	1/1
Non-executive Directors					
Dr. Yigong Shi	6/6	–	–	–	1/1
Mr. Quanhong Yuan	6/6	–	–	–	1/1
Mr. Shan Fu	6/6	–	–	–	1/1
Mr. Lijun Lin (resigned in March 31, 2021)	6/6	–	–	–	1/1
Independent Non-executive Directors					
Dr. Zemin Zhang	6/6	2/2	1/1	1/1	1/1
Ms. Lan Hu	6/6	2/2	1/1	–	1/1
Dr. Kaixian Chen	6/6	2/2	–	1/1	1/1

RISK MANAGEMENT, INTERNAL CONTROLS AND INSIDE INFORMATION HANDLING

Risk Management

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The internal audit department of the Group was set up on the Listing Date and will assist the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems. The risk management and internal control systems are reviewed annually. The internal audit function will examine key issues in relation to the accounting practices and all material controls. The Board had conducted a review of the effectiveness of the risk management and internal control systems of the Company in respect of the Reporting Period and considered the system effective and adequate.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Company recognizes that risk management is critical to the success of its business operation. Key operational risks faced by the Company include changes in general market conditions and the regulatory environment of the Chinese and global biologics markets, the Company's ability to develop, manufacture and commercialize its drug candidates, and its ability to compete with other pharmaceutical companies.

The Company has adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis. The following key principles outline the Company's approach to risk management:

- The Audit Committee will oversee and manage the overall risks associated with the Company's business operations, including (i) reviewing and approving the Company's risk management policies to ensure that it is consistent with its corporate objectives; (ii) reviewing and approving the Company's corporate risk tolerance; (iii) monitoring the most significant risks associated with the Company's business operations and its management's handling of such risks; (iv) reviewing the Company's corporate risk in light of its corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of the Company's risk management framework across the Company.

- The Chief Financial Officer, Mr. Shaojing Tong, will be responsible for (i) formulating and updating the Company's risk management policy and targets; (ii) reviewing and approving major risk management issues of the Company; (iii) promulgating risk management measures; (iv) providing guidance on the Company's risk management approach to the relevant departments in the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of the Company's risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across the Group; and (viii) reporting to the Audit Committee on the Company's material risks.

- The relevant departments in the Company, including but not limited to the finance department and the human resources department, are responsible for implementing the Company's risk management policy and carrying out our day-to-day risk management practice. In order to standardize risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for the Chief Executive Officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of the Company's risk management framework.

We consider that the Directors and members of the Company's senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis.

The Company has established internal audit function/engaged external professionals for internal audit function and risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations.

The Company has adopted various measures and procedures regarding each aspect of its business operation, such as protection of intellectual property, environmental protection, and occupational health and safety. The Company provides periodic training on these measures and procedures to its employees as part of its employee training program. The Company also constantly monitors the implementation of those measures and procedures through its on-site internal control team for each stage of the drug development process.

The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations. The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

The Company had engaged Somerley Capital Limited as its compliance advisor to provide advice to the Directors and management team regarding matters relating to the Listing Rules. The Company's compliance advisor was expected to ensure the Company's use of funding complies with the sections entitled "Future Plans and Use of Proceeds" in the Prospectus, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

The Company has engaged a PRC law firm to advise it on and keep it abreast of PRC laws and regulations. The Company will continue to arrange various trainings sessions to be provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update the Directors, senior management and relevant employees on the latest PRC laws and regulations.

The Company maintains strict anti-corruption policies on personnel with external communication functions. The Company will also ensure that its commercialization team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

During the Reporting Period, the Company has regularly reviewed and enhanced its internal control system.

Investment Risk Management

The Company engages in short-term investments with surplus cash on hand. The Company's investment portfolio primarily consists of wealth management products and time deposits. The Company's primary objective of short-term investment is to preserve principal, and increase liquidity without significantly increasing risks. Under the supervision of the Company's Chief Financial Officer, the finance department is responsible for managing the Company's short-term investment activities. Before making any investment proposal, the finance department will assess the Company's cash flow levels, operational needs and capital expenditures. The Company operates under a Board approved investment policy, which provides the guidelines and specific instructions on the investment of the Company's funds. The Company's investment policy is reviewed by the Board on an annual basis.

The Company's investment strategy aims to minimize risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs. The Company makes its investment decisions on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions and the expected profit or potential loss of the investment. The Company's portfolio to date has been required to hold only instruments with an effective final maturity of 12 months or less, with effective final maturity being defined as the obligation of the issuer to repay principal and interest. Under the Company's investment policy, the Company is prohibited from investing in high risk products and the proposed investment must not interfere with its business operation or capital expenditure. As of the date of this report, the Company's investment decisions did not deviate from its investment policy.

The Company believes that its internal investment policies and the related risk management mechanism are adequate. The Company may invest in wealth management products and time deposits consistent with its investment policy, after consultation with and approval by the Board.

Policy on the Disclosure of Inside Information

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 77 to 78.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended December 31, 2020 is set out below:

Service Category	Fees Paid/Payable RMB' 000
Audit services	2,180
Services in connection with the initial listing of the Company's shares	800
Non-audit services	
— Internal control review for the Listing	–
— ESG Report Consulting Service	98
Total	3,078

COMPANY SECRETARY

During the Reporting Period, Ms. Ching Man Yeung, who served as a vice president of SWCS Corporate Services Group (Hong Kong) Limited, has served as the company secretary of the Company. Ms. Yeung resigned as the company secretary of the Company with effect from February 9, 2021. Mr. Keith Shing Cheung Wong has been appointed as the company secretary of the Company with effect from February 9, 2021. Mr. Lu Chao, the Board Secretary of the Company, is the primary contact person of the company secretary of the Company.

For the year ended December 31, 2020, Ms. Yeung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members to the Board or the secretary of the Company, specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves may convene the general meeting in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director.

Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

For proposal of a person for election as Director, pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless proposed by the Board pursuant to the recommendation of the Nomination Committee, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been lodged at the principal office or at the registration office of the Company, a notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected, and such person has been approved by the Nomination Committee and the Board.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Building 8, No. 8 Life Science Park Road, Zhongguancun Life Science Park Changping District Beijing, PRC
Email: IR@innocarepharma.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through AGMs and other general meetings. At the AGMs, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The forthcoming AGM will be held on Thursday, June 10, 2021. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

The Company's existing Articles of Association were adopted on October 8, 2019 and were effective on the Listing Date. Since then, the Company has not made any changes to its Articles of Association. The Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

Policies relating to Shareholders

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, among others, financial results, cash flow situation, business conditions and strategies and future operations and earnings, as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to Shareholders' approval.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the shareholders of InnoCare Pharma Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of InnoCare Pharma Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 156, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Cut-off on research and development expenses	
During the year ended 31 December 2020, the Group recognised research and development ("R&D") expenses of approximately RMB402,771,000, of which costs related to clinical trials and preclinical testing paid to third-party contract research organisations and clinical trial centres (collectively referred to as the "Outsourced Service Providers") as of 31 December 2020 amounted to approximately RMB96,700,000. The R&D activities with these Outsourced Service Providers are documented in detailed contracts and are typically performed over an extended period. Recording of these expenses in the appropriate financial reporting period based on the progress of the research and development projects involves estimation. The Group's disclosure about research and development costs is included in note 2.4 and note 6.	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the accrual of the R&D expenses. Our audit procedures included, among others, reviewing the key terms set out in agreements with Outsourced Service Providers on a sampling basis and understanding and testing management's process for developing estimates based on the progress of the R&D activities. We also inquired of the project managers and inspected the supporting documents. We then evaluated the appropriateness of the accrual amount of R&D expenses by comparing the subsequent milestone billings received from the Outsourced Service Providers with the accrued R&D expenses at the year end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai, Ricky.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**1,364**	1,247
Cost of sales		**–**	–
Gross profit		**1,364**	1,247
Other income and gains	5	**271,304**	104,449
Selling and distribution expenses		**(68,208)**	(3,458)
Research and development costs		**(402,771)**	(213,123)
Administrative expenses		**(89,371)**	(63,623)
Other expenses		**(33,863)**	(159,909)
Fair value changes of convertible redeemable preferred shares	28	**(141,579)**	(1,814,018)
Finance costs	7	**(1,139)**	(1,916)
LOSS BEFORE TAX		**(464,263)**	(2,150,351)
Income tax expense	10	**–**	–
LOSS FOR THE YEAR		**(464,263)**	(2,150,351)
Attributable to:			
Owners of the parent		**(463,793)**	(2,141,388)
Non-controlling interests		**(470)**	(8,963)
		(464,263)	(2,150,351)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	12	**(RMB0.48)**	(RMB9.32)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
LOSS FOR THE YEAR	**(464,263)**	(2,150,351)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(251,702)**	(34,167)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(251,702)**	(34,167)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(715,965)**	(2,184,518)
Attributable to:		
Owners of the parent	**(715,495)**	(2,175,555)
Non-controlling interests	**(470)**	(8,963)
	(715,965)	(2,184,518)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**306,398**	48,479
Right-of-use assets	14	**96,733**	86,311
Goodwill	15	**3,125**	3,125
Other intangible assets	16	**37,017**	37,011
Investments in joint ventures	17	**1,159**	1,159
Other non-current assets	18	**1,045**	30,861
Total non-current assets		**445,477**	206,946
CURRENT ASSETS			
Inventories	19	**1,878**	–
Trade receivables	20	**152**	37
Prepayments, other receivables and other assets	21	**120,563**	36,590
Financial assets at fair value through profit or loss	22	**–**	80,347
Cash and bank balances	23	**3,969,640**	2,291,773
Total current assets		**4,092,233**	2,408,747
CURRENT LIABILITIES			
Trade payables	24	**5,520**	8,197
Other payables and accruals	25	**85,454**	41,528
Deferred income	26	**6,646**	645
Lease liabilities	14	**6,833**	6,204
Loans from a related party	27	**–**	9,098
Total current liabilities		**104,453**	65,672
NET CURRENT ASSETS		**3,987,780**	2,343,075
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,433,257**	2,550,021
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	28	**–**	4,213,772
Convertible loan	29	**1,149,550**	1,117,176
Lease liabilities	14	**17,165**	3,394
Deferred income	26	**100,000**	157,389
Deferred tax liabilities	30	**6,036**	6,036
Total non-current liabilities		**1,272,751**	5,497,767
Net assets/(liabilities)		**3,160,506**	(2,947,746)
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**16**	4
Reserves	32	**3,103,996**	(3,004,714)
		3,104,012	(3,004,710)
Non-controlling interests		**56,494**	56,964
Total equity/(deficit)		**3,160,506**	(2,947,746)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

Year ended 31 December 2020

	Attributable to owners of the parent									
	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Other reserve RMB'000 (note 32(a))	Share-based payment reserve RMB'000 (note 33)	Asset revaluation reserve RMB'000	Foreign exchange reserve RMB'000 (note 32(b))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	4	9,341	(19,292)	143,873	(6,036)	(52,205)	(3,080,395)	(3,004,710)	56,964	(2,947,746)
Loss for the year	–	–	–	–	–	–	(463,793)	(463,793)	(470)	(464,263)
Exchange differences on translation of foreign operations	–	–	–	–	–	(251,702)	–	(251,702)	–	(251,702)
Total comprehensive loss for the year	–	–	–	–	–	(251,702)	(463,793)	(715,495)	(470)	(715,965)
Shares issued upon initial public offering ("IPO") (note 31)	4	2,048,394	–	–	–	–	–	2,048,398	–	2,048,398
Shares issued upon overallotment Option (note 31)	1	307,456	–	–	–	–	–	307,457	–	307,457
Automatic conversion of convertible redeemable preferred shares ("preferred shares") upon IPO (note 28,31)	7	4,355,343	–	–	–	–	–	4,355,350	–	4,355,350
Share issue expenses	–	(102,609)	–	–	–	–	–	(102,609)	–	(102,609)
Equity-settled share-based payment expenses	–	–	–	215,621	–	–	–	215,621	–	215,621
Exercise of RSUs	–	125,311	–	(125,311)	–	–	–	–	–	–
At 31 December 2020	16	6,743,236	(19,292)	234,183	(6,036)	(303,907)	(3,544,188)	3,104,012	56,494	3,160,506

These reserve accounts comprise the consolidated reserves of RMB3,103,996,000 (2019: RMB (3,004,714,000)) in the consolidated statement of financial position.

Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Other reserve RMB'000 (note 32(a))	Share-based payment reserve RMB'000 (note 33)	Asset revaluation reserve RMB'000	Foreign exchange reserve RMB'000 (note 32(b))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	3	–	(19,292)	78,069	(6,036)	(18,038)	(939,007)	(904,301)	65,927	(838,374)
Loss for the year	–	–	–	–	–	–	(2,141,388)	(2,141,388)	(8,963)	(2,150,351)
Exchange differences on translation of foreign operations	–	–	–	–	–	(34,167)	–	(34,167)	–	(34,167)
Total comprehensive loss for the year	–	–	–	–	–	(34,167)	(2,141,388)	(2,175,555)	(8,963)	(2,184,518)
Issue of shares (note 31)	1	9,341	–	–	–	–	–	9,342	–	9,342
Share-based payments	–	–	–	65,804	–	–	–	65,804	–	65,804
At 31 December 2019	4	9,341	(19,292)	143,873	(6,036)	(52,205)	(3,080,395)	(3,004,710)	56,964	(2,947,746)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(464,263)**	(2,150,351)
Adjustments for:			
Finance costs	7	**1,139**	1,916
Interest income	5	**(96,809)**	(72,047)
Other interest income from financial assets at fair value through profit or loss		**(1,766)**	–
Fair value changes of a convertible loan	29	**32,374**	159,907
Fair value changes of convertible redeemable preferred shares	28	**141,579**	1,814,018
Covid-19-related rent concessions from lessors		**(150)**	–
Depreciation of property, plant and equipment	13	**2,067**	1,462
Depreciation of right-of-use assets	14	**9,119**	7,204
Amortisation of other intangible assets	16	**265**	400
Share-based payment expenses		**215,621**	65,804
		(160,824)	(171,687)
Increase in inventories		**(1,878)**	–
(Increase)/decrease in trade receivables		**(115)**	7
Increase in prepayments, other receivables and other assets		**(36,422)**	(17,455)
Decrease in other non-current assets		**1,579**	–
(Decrease)/increase in trade payables		**(2,677)**	6,004
Increase in other payables and accruals		**34,357**	36,132
Decrease in deferred income		**(51,389)**	(3,454)
Cash used in operations		**(217,369)**	(150,453)
Interest received		**44,850**	70,700
Net cash flows used in operating activities		**(172,519)**	(79,753)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**33,343**	3,772
Receipt of government grants for property, plant and equipment		**–**	100,000
Purchases of investments		**(135,000)**	(1,087,000)
Purchases of items of property, plant and equipment		**(250,995)**	(74,569)
Purchases of other intangible assets	16	**(271)**	(464)
Proceeds upon maturity of investments		**217,114**	1,171,935
Increase in time deposits		**(971,139)**	(66,206)
Net cash flows (used in)/from investing activities		**(1,106,948)**	47,468

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**125,311**	–
Proceeds from issue of shares	31	**2,230,544**	9,342
Share issue expenses		**(102,729)**	–
Proceeds from issue of convertible redeemable preferred shares	28	**–**	412,672
Repayment of loans from a related party		**(9,024)**	–
Repayment of loans from third parties		**–**	(50,000)
Finance expense paid, including interest on lease liabilities		**(1,139)**	(2,222)
Principal portion of lease payments		**(4,992)**	(6,851)
Net cash flows from financing activities		**2,237,971**	362,941
Net increase in cash and cash equivalents		**958,504**	330,656
Cash and cash equivalents at beginning of year		**1,594,153**	1,245,204
Effect of foreign exchange rate changes, net		**(251,776)**	18,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**2,300,881**	1,594,153
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	23	**3,969,640**	2,291,773
Time deposits with original maturity of more than three months but less than one year when acquired	23	**(1,668,759)**	(697,620)
Cash and cash equivalents as stated in the consolidated statement of cash flows	23	**2,300,881**	1,594,153

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2015. The registered office of the Company is located at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the clinical trial, biological manufacturing and research and development of biological products. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 23 March 2020.

Information about the subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Ocean Prominent Limited	British Virgin Islands	US$1	100%	–	Investment holding
Sunny Investments Limited	Hong Kong	HK$1	–	100%	Investment holding
InnoCare Pharma Inc.	United States of America ("USA")	US$10,000,000	–	100%	Clinical trial
InnoCare Pharma Australia Pty Ltd.	Australia	AU$10	–	100%	Clinical trial
Beijing InnoCare Pharma Tech Co., Ltd. ("Beijing InnoCare")[(a)]	PRC/Mainland China	US$80,000,000	–	100%	Research and development
Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. ("Nanjing InnoCare")[(b)]	PRC/Mainland China	RMB10,000,000	–	100%	Research and development
Beijing Tiancheng Pharma Tech Co., Ltd.[(b)]	PRC/Mainland China	RMB34,290,000	–	100%	Research and development
Shanghai Tian Jin Pharma Tech Co., Ltd.[(b)]	PRC/Mainland China	RMB4,000,000	–	100%	Research and development
Guangzhou InnoCare Pharma Tech Co., Ltd. ("Guangzhou InnoCare")[(b)]	PRC/Mainland China	RMB1,000,000,000	–	93%	Biologics manufacturing
Guangzhou InnoCare Biological Tech Co., Ltd.[(a)]	PRC/Mainland China	US$30,000,000	–	100%	Research and development

(a) Registered as a wholly foreign owned enterprise under PRC law.

(b) Registered as a limited liability company under PRC law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of a Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office and laboratory have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB150,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group did not have interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and the consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	10% to $33^{1}/_{3}$%
Devices and servers	10% to $33^{1}/_{3}$%
Office equipment	10% to $33^{1}/_{3}$%
Leasehold improvements	Over the shorter of the lease terms and $16^{2}/_{3}$%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software is amortised on the straight-line basis over its useful life of 3 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows.

Office and laboratory	1 to 6 years
Leasehold land	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets that are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as a convertible loan, loans and borrowings, or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans from a related party, convertible redeemable preferred shares, a convertible loan and loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible loan and convertible redeemable preferred shares as financial liabilities at fair value through profit or loss, details of which are included in notes 24 and 29, respectively, to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business consolidation and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as other income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at a nominal amount, and are released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

During reporting period, revenue of the Group primarily arose from research and development services to the customers. Revenue was recognised only when it satisfied a performance obligation by rendering the service or transferring the control of the result of research and development and there is no unfulfilled obligation that could affect the buyer's acceptance of the result. Before that, the counterparty had no right to receive and consume the benefits of the research and development services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter year, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates share option and restricted stock units ("RSUs") schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including the Company's directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model, further details are included in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme and not reduced by contributions forfeited by employees who leave the scheme prior to vesting fully in the contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements is presented in RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar ("US$"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year or period are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB3,125,000 (2019: RMB3,125,000). Further details are included in note 15.

Impairment of development cost

The Group assesses whether there are any indicators of impairment for development cost at the end of each reporting period. Development cost for intended use is tested for impairment annually and at other times when such an indicator exists. An impairment exists when the carrying value of development cost exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from development cost and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of the fair value of financial assets and financial liabilities

Certain financial assets and financial liabilities are measured at fair value at the end of each reporting period as disclosed in note 37 to the financial statements.

The fair value of financial investments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the fair value of these financial assets. Further details are included in notes 22 and 37 to the financial statements.

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the initial public offering event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 28 to the financial statements.

The convertible loan borrowed by a subsidiary of the Company exhibits the characteristics of an embedded derivative and the Group has designated the entire instrument as a financial liability at fair value through profit or loss. As it is not traded in an active market, the Group applied the discounted cash flow method to determine its fair value by using the risk-free rate plus an implied spread. Key assumptions such as the discount rate were based on the Group's best estimates. Further details are included in notes 29 and 37 to the financial statements.

4. OPERATING SEGMENT INFORMATION

Since the Group's revenue and operating losses were mainly from the activities related to research and development in Mainland China, and most of the Group's identifiable operating assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue during the year is set out below:

	2020 RMB'000	2019 RMB'000
Customer A	**427**	254
Customer B	**133**	–
	560	254

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
– Research and development services	**1,364**	1,247
Timing of revenue recognition from contracts with customers		
– At a point in time	**1,364**	1,247

The performance obligation is satisfied upon delivery of the research and development services report and payment is generally due within 90 days from delivery.

	2020 RMB'000	2019 RMB'000
Other income		
Government grants (note)	**64,439**	28,328
Bank interest income	**96,809**	72,047
Investment income from investments in wealth management products	**1,766**	3,772
	163,014	104,147
Gains		
Foreign exchange gains, net	**108,290**	302
	271,304	104,449

Note: Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	13	**2,068**	1,462
Depreciation of right-of-use assets	14	**9,119**	7,204
Amortisation of other intangible assets	16	**266**	430
Auditor's remuneration		**2,180**	558
Listing expense		**23,285**	20,289
Research and development costs, excluded share-based payment expenses		**221,788**	155,958
Fair value changes of a convertible loan	29	**32,374**	159,907
Fair value changes of convertible redeemable preferred shares	28	**141,579**	1,814,018
Employee benefit expense (excluding directors' and chief executive's remuneration)	8		
Wages and salaries		**108,993**	53,284
Pension scheme contributions		**11,284**	9,792
Staff welfare expenses		**2,085**	2,484
Share-based payment expenses		**86,624**	34,381
		208,986	99,941

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**908**	749
Interest on loans from a related party	**231**	88
Transaction cost for the issue of the Company's convertible redeemable preferred shares	**–**	978
Interest on loans from third parties	**–**	101
	1,139	1,916

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	**780**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**3,659**	3,799
Pension scheme contributions	**39**	88
Share-based payment expenses	**130,889**	31,423
	135,367	35,310

During the year, certain directors were granted share options and restricted stock units, in respect of their services to the Group, under the share option and restricted stock units scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such share options and restricted stock units, which have been recognised in profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Zemin Zhang	**–**	–
Kaixian Chen	**300**	–
Lan Hu	**300**	–
	600	–

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors (continued)

The share-based payment expense of an independent non-executive director during the year was as follows:

	2020 RMB'000	2019 RMB'000
Zemin Zhang	83	294
Kaixian Chen	–	–
Lan Hu	–	–
	83	294

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

(b) Directors' remuneration

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Share-based payments expenses RMB'000	Total remuneration RMB'000
2020					
Executive directors:					
Jisong Cui *(chief executive)*	780	2,351	–	116,417	119,548
Renbin Zhao	–	1,308	39	14,389	15,736
	780	3,659	39	130,806	135,284
Non-executive directors:					
Yigong Shi	–	–	–	–	–
Quanhong Yuan	–	–	–	–	–
Shan Fu	–	–	–	–	–
Lijun Lin	–	–	–	–	–
	–	–	–	–	–
	780	3,659	39	130,806	135,284

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors' remuneration (continued)

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Share-based payments expenses RMB'000	Total remuneration RMB'000
2019					
Executive directors:					
Jisong Cui *(chief executive)*	–	2,653	–	14,123	16,776
Renbin Zhao	–	1,146	88	17,006	18,240
	–	3,799	88	31,129	35,016
Non-executive directors:					
Yigong Shi	–	–	–	–	–
Quanhong Yuan	–	–	–	–	–
Shan Fu	–	–	–	–	–
Lijun Lin	–	–	–	–	–
	–	–	–	–	–
	–	3,799	88	31,129	35,016

There were no emoluments paid or payable to other directors of the Company, nor arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, bonuses, allowances and benefits in kind	**6,907**	4,872
Pension scheme contributions	**55**	97
Share-based payments	**27,108**	15,497
	34,070	20,466

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$5,500,001 to HK$6,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**–**	1
HK$11,000,001 to HK$11,500,000	**1**	–
HK$21,500,001 to HK$22,000,000	**1**	–
	3	3

During the year and in prior years, restricted stock units were granted under the Global Share Plan to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in note 33 to the financial statements. The fair values of such granted share options and restricted stock units, which have been recognised in the statement of profit or loss over the vesting period, were determined as at each of the grant dates and the amounts included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("BVI"), Ocean Prominent Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Ocean Prominent Limited to its shareholder, no BVI withholding tax is imposed.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatment is available to Beijing InnoCare and Nanjing InnoCare, since they were recognised as High and New Technology Enterprises in 2020 and 2018, respectively, and are entitled to a preferential tax rate of 15% for a three-year period.

Australia

The subsidiary incorporated in Australia is subject to income tax at the rate of 27.5% (2019: 27.5%) on the estimated assessable profits arising in Australia during the year.

United States of America

The subsidiary incorporated in Delaware, United States is subject to statutory United States federal corporate income tax at a rate of 21% (2019: 21%). It is also subject to the state income tax in Delaware at a rate of 8.7% (2019: 8.7%) during the year.

10. INCOME TAX (continued)

United States of America (continued)

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Loss before tax	**(464,263)**	(2,150,351)
Tax at the statutory tax rate of 25%	**(116,066)**	(537,588)
Effect of tax rate differences in other jurisdictions	**56,820**	469,493
Preferential tax rates applicable to certain subsidiaries	**21,383**	15,736
Additional deductible allowance for qualified research and development costs	**(28,847)**	(23,986)
Tax losses not recognised	**65,368**	75,734
Expenses not deductible for tax	**1,342**	611
Tax charge at the Group's effective rate	**–**	–

The Group has tax losses arising in Mainland China of RMB837,041,000 that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDEND

No dividends have been declared and paid by the Company for the year ended 31 December 2020 (2019: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share amounts attributable to ordinary equity holders of the parent is based on the following data:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss		
Loss for the year attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**(463,793)**	(2,141,388)

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	2020 Number of shares '000	2019 Number of shares '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**967,576**	229,727

The computation of basic and diluted loss per share for the years ended 31 December 2020 and 2019 excluded the unvested share options and restricted stock units of the Company. Details of these share options and restricted stock units are set out in note 33 to the financial statements.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the conversion of the convertible redeemable preferred shares, the exercise of share options and restricted stock units, or the convertible loan had an anti-dilutive effect on the basic loss per share amounts presented. Accordingly, the dilutive loss per share amounts for the years ended 31 December 2020 and 2019 are the same as the basic loss per share amounts.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Devices and servers RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	**5,239**	**2,093**	**180**	**54**	**44,360**	**51,926**
Accumulated depreciation	**(2,132)**	**(1,159)**	**(102)**	**(54)**	**–**	**(3,447)**
Net carrying amount	**3,107**	**934**	**78**	**–**	**44,360**	**48,479**
At 1 January 2020, net of accumulated depreciation	**3,107**	**934**	**78**	**–**	**44,360**	**48,479**
Additions	**4,731**	**1,474**	**189**	**1,024**	**252,569**	**259,987**
Depreciation provided during the year	**(1,410)**	**(577)**	**(81)**	**–**	**–**	**(2,068)**
At 31 December 2020, net of accumulated depreciation	**6,428**	**1,831**	**186**	**1,024**	**296,929**	**306,398**
At 31 December 2020:						
Cost	**9,970**	**3,567**	**369**	**1,078**	**296,929**	**311,913**
Accumulated depreciation	**(3,542)**	**(1,736)**	**(183)**	**(54)**	**–**	**(5,515)**
Net carrying amount	**6,428**	**1,831**	**186**	**1,024**	**296,929**	**306,398**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and machinery RMB'000	Devices and servers RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019						
At 1 January 2019:						
Cost	4,836	1,389	147	54	467	6,893
Accumulated depreciation	(1,123)	(766)	(58)	(38)	–	(1,985)
Net carrying amount	3,713	623	89	16	467	4,908
At 1 January 2019, net of accumulated depreciation	3,713	623	89	16	467	4,908
Additions	403	704	33	–	43,893	45,033
Depreciation provided during the year	(1,009)	(393)	(44)	(16)	–	(1,462)
At 31 December 2019, net of accumulated depreciation	3,107	934	78	–	44,360	48,479
At 31 December 2019:						
Cost	5,239	2,093	180	54	44,360	51,926
Accumulated depreciation	(2,132)	(1,159)	(102)	(54)	–	(3,447)
Net carrying amount	3,107	934	78	–	44,360	48,479

Certain subsidiaries of the Company received government grants related to equipment during the current year and prior year. Details of such government grants are as follows:

(a) A subsidiary of the Company, Beijing InnoCare has obtained the right to use certain items of equipment which were purchased and owned by the local government for the activities of research and development since 2017 for free. The Group has recorded such government grants at a nominal amount.

(b) A subsidiary of the Company, Nanjing InnoCare, has obtained the right to use certain items of equipment which were purchased and owned by the local government for the activities of research and development for a 5-year term for free since the initial delivery dates. The Group has recorded such government grants at a nominal amount.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of office and laboratory used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office and laboratory have lease terms between 1 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office and laboratory	**Leasehold Land**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2019	13,053	–	13,053
Additions	3,349	77,137	80,486
Depreciation charge	(6,433)	(771)	(7,204)
Effect of exchange rate	(24)	–	(24)
As at 31 December 2019 and 1 January 2020	9,945	76,366	86,311
Additions	19,629	–	19,629
Depreciation charge	(7,576)	(1,543)	(9,119)
Exchange difference	(88)	–	(88)
As at 31 December 2020	21,910	74,823	96,733

Certain subsidiaries of the Company were granted by the local governments to occupy certain buildings owned by them. Details of such government grants are as follows:

i. A subsidiary of the Company, Beijing InnoCare has obtained the right to use two buildings, each of which covers 6,640 square metres and 1,650 square metres, at a below-market rental price to conduct research and development activities during the periods from January 2016 to December 2020 and from June 2016 to May 2021, respectively. The Group has recorded such government grants at a nominal amount.

ii. A subsidiary of the Company, Nanjing InnoCare, has obtained the right to use one building covering 3,350 square metres for operating activities, and research and development activities for free during the period from May 2015 to May 2020 and got extension accordingly. In addition, the expenditure of the initial leasehold improvement for this building was borne by the local government. The Group has recorded such government grant at a nominal amount.

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**9,598**	13,123
New Leases	**19,629**	3,349
Accretion of interest recognised during the year	**908**	749
Covid-19-related rent concessions from lessors	**(150)**	–
Payments	**(5,900)**	(7,599)
Effect of exchange rate	**(87)**	(24)
Carrying amount at 31 December	**23,998**	9,598
Analysed into:		
Current portion	**6,833**	6,204
Non-current portion	**17,165**	3,394

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

As disclosed in note 2.2. to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

In addition to those disclosed above, the Group recognised in profit or loss rental expenses from short-term leases of RMB1,373,000 for the year (2019: RMB1,305,000). The cash outflows for lease are disclosed in note 34 (c) to the financial statements.

15. GOODWILL

	2020 RMB'000	2019 RMB'000
Cost and net carrying amount at beginning and end of the year	**3,125**	3,125

The goodwill was resulted from the acquisition of a subsidiary of the Group, Beijing InnoCare.

Impairment testing of goodwill

The cash flows generated from the subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, management considered that Beijing InnoCare is a separate cash-generating unit ("CGU"). For the purpose of performing the impairment test, the goodwill is allocated to this acquired subsidiary.

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a 20-year period based on the valid term of the relevant patents. The cash flows of the unit are projected based on the forecasted sales of the new drugs after the approval of new drug applications ("NDA") and within the patent protection periods. No revenue and cash flows are forecasted after the expiration of the patents. Senior management considers that using a 20-year forecast period for the financial budget in the goodwill impairment test is appropriate because the useful lives of Beijing InnoCare's relevant intellectual properties are no less than twenty years, and it generally takes longer for a biotechnology company to reach a perpetual growth mode, compared to companies in other industries, especially when its products are still under clinical trials and the markets of such products are at an early stage of development with substantial growth potential. Hence, the financial budget covering a 20-year period was used as the senior management of the Group believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

Key assumptions used in the calculation are as follows:

	2020	2019
Gross margin (% of revenue)	**83.0%~90.0%**	86.0%~90.0%
Terminal growth rate	**0%**	0%
Pre-tax discount rate	**15.8%**	15.7%

Assumptions were used in the value-in-use calculation of the cash-generating unit as at 31 December 2020 and 31 December 2019. The following describes each key assumption on which senior management has based its cash flow projections to undertake impairment testing of goodwill:

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve since the year when Beijing InnoCare's products were launched.

Terminal growth rate – The forecasted terminal growth rate is based on senior management's expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

The pre-tax discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

Based on the result of the goodwill impairment testing, the recoverable amount of the cash-generating unit exceeded its carrying amounts as at 31 December 2020.

Considering that there was sufficient headroom based on the impairment testing, the directors of the Company believe that any reasonably possible change in any of the key assumptions would cause the carrying amount of the CGU to be less than its recoverable amount as at 31 December 2020.

16. OTHER INTANGIBLE ASSETS

	Development cost RMB'000	Software RMB'000	Total RMB'000
31 December 2020			
At 1 January 2020:			
Cost	36,580	1,008	37,588
Accumulated amortisation	–	(577)	(577)
Net carrying amount	36,580	431	37,011
Cost at 1 January 2020, net of accumulated amortisation	36,580	431	37,011
Addition	–	272	272
Amortisation provided during the year	–	(266)	(266)
At 31 December 2020	36,580	437	37,017
At 31 December 2020:			
Cost	36,580	1,280	37,860
Accumulated amortisation	–	(843)	(843)
Net carrying amount	36,580	437	37,017

16. OTHER INTANGIBLE ASSETS (continued)

	Development cost RMB'000	Software RMB'000	Total RMB'000
31 December 2019			
At 1 January 2019:			
Cost	36,580	514	37,094
Accumulated amortisation	–	(147)	(147)
Net carrying amount	36,580	367	36,947
Cost at 1 January 2019, net of accumulated amortisation	36,580	367	36,947
Addition	–	494	494
Amortisation provided during the year	–	(430)	(430)
At 31 December 2019	36,580	431	37,011
At 31 December 2019:			
Cost	36,580	1,008	37,588
Accumulated amortisation	–	(577)	(577)
Net carrying amount	36,580	431	37,011

The development cost acquired through business combination in 2016 is mainly related to the development of the orelabrutinib product.

Impairment testing of the development cost

The management of the Group performed annual impairment testing as at 31 December 2020 for the development cost which was not yet available for use. For impairment testing, the development cost is allocated to the CGU at the orelabrutinib production line level, which is supposed to be able to generate cash flows independently from those of other products.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the senior management of the Group covering a 17-year period based on the remaining valid term of the patent related to the orelabrutinib product. Senior management considers that using a 17-year forecast period for financial budget in the impairment testing of the development cost is appropriate because the useful life of the relevant intellectual property related to the orelabrutinib product is no less than seventeen years, and it generally takes longer for a biotechnology company to reach a perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, the financial budget covering a 17-year period was used as the senior management of the Group believes that a forecasted period longer than five years is feasible and reflects a more accurate product value.

16. OTHER INTANGIBLE ASSETS (continued)

Impairment testing of the development cost (continued)

Key assumptions used in the calculation are as follows:

	2020	2019
Gross margin (% of revenue)	**84.0%~90.0%**	89.0%~90.0%
Terminal growth rate	**0%**	0%
Pre-tax discount rate	**16.7%**	15.8%

Assumptions were used in the value-in-use calculation of a cash-generating unit as at 31 December 2019 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the development cost:

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve since the year when the orelabrutinib product is launched.

Terminal growth rate – The forecasted terminal growth rate is based on senior management's expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

The pre-tax discount rate used is before tax and reflects specific risks relating to the unit.

Based on the result of the impairment testing, the recoverable amount of the cash-generating unit exceeded its carrying amounts as at 31 December 2020.

Considering that there was sufficient headroom based on the impairment testing, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to be less than its recoverable amount as at 31 December 2020 and 2019.

17. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	**1,159**	1,159

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest		
			Ownership interest	Voting power	Profit sharing
Beijing Tianshi Pharma Tech Co., Ltd. ("InnoCare Beijing Tianshi")	RMB2,000,000	PRC/Mainland China	50%	50%	50%
Beijing Tiannuo Pharma Tech Co., Ltd. ("InnoCare Beijing Tiannuo")	RMB2,000,000	PRC/Mainland China	50%	50%	50%

17. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' loss for the year	2	6
Share of the joint ventures' total comprehensive loss	2	6
Aggregate carrying amount of the Group's investment in the joint ventures	1,159	1,159

18. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayment for property, plant and equipment	1,045	29,066
Others	–	1,795
	1,045	30,861

19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	1,878	–

At 31 December 2020, no inventories were pledged as security for liabilities (2019: nil).

20. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	152	37

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

20. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
With 3 months	**152**	37

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Value-added tax recoverable	**47,723**	18,789
Prepayments	**39,227**	8,247
Other receivables	**7,337**	1,934
Interest receivable	**26,236**	7,620
	120,563	36,590

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Company are of the opinion that the estimated credit loss in respect of these balances is immaterial.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Investments measured at fair value through profit or loss (note 37)	**–**	80,347

Investments measured at fair value and whose changes are included in the current profit or loss are wealth management products denominated in RMB. The Company redeemed all wealth management products in this year.

23. CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**3,969,640**	2,291,773
Less: Time deposits with original maturity of more than three months but less than one year when acquired	**(1,668,759)**	(697,620)
Cash and cash equivalents	**2,300,881**	1,594,153
Denominated in:		
RMB	**1,549,611**	1,087,220
US$	**719,972**	502,957
Other	**31,298**	3,976
Cash and cash equivalents	**2,300,881**	1,594,153

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Time deposits are made for varying periods of between three months and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	**3,987**	8,197
3 to 6 months	**382**	–
6 to 12 months	**1,086**	–
Over 12 months	**65**	–
	5,520	8,197

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

25. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Payable for property, plant and equipment	**30,746**	16,105
Payroll payable	**26,305**	9,543
Accruals	**23,902**	–
Taxes other than income tax	**1,401**	529
Related service fee of the initial public offering	**–**	14,672
Others	**3,100**	679
	85,454	41,528

Other payables are non-interest-bearing and repayable on demand.

26. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Government grants		
Current	**6,646**	645
Non-current	**100,000**	157,389
	106,646	158,034

The movements in government grants during the year is as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**158,034**	61,488
Grants received during the year	**9,298**	105,855
Amount recognised in profit or loss	**(60,686)**	(9,309)
At the end of year	**106,646**	158,034

The grants are related to the subsidies received from local government authorities to support the subsidiaries' research and development activities and the purchase of certain items of property, plant and equipment, and included in deferred income in the statement of financial position as the related expenditures have not yet been undertaken as at the reporting date.

27. LOANS FROM A RELATED PARTY

The loans from a related party arose from loans from a holder of convertible redeemable preferred shares of the Company, of which an interest-bearing loan of US$1.28 million was borrowed in July 2017 and bears interest at 1% per annum. The loan has been repaid during the year.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares. For details of the background of preferred shares, please refer to note 29 to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2019.

All preferred shares were automatically converted into 532,244,771 ordinary shares upon the successful IPO of the Company on 23 March 2020 (the "Conversion Date").

As of the Conversion Date, the par value per preferred share is US$0.000002 and the difference between the fair value of preferred shares and the par value is accounted for under the share premium.

The movements of the convertible redeemable preferred shares are set out below:

	Series A Preferred Shares RMB'000	**Series B Preferred Shares** RMB'000	**Series C Preferred Shares** RMB'000	**Series D Preferred Shares** RMB'000	**Total** RMB'000
At 1 January 2020	**367,504**	**840,806**	**1,083,224**	**1,922,238**	**4,213,772**
Changes in fair value	**86,652**	**190,053**	**107,453**	**(242,579)**	**141,579**
Convertion into ordinary shares	**(454,156)**	**(1,030,859)**	**(1,190,677)**	**(1,679,659)**	**(4,355,351)**
At 31 December 2020	**–**	**–**	**–**	**–**	**–**
At 1 January 2019	168,570	388,619	548,871	828,690	1,934,750
Issue	–	–	–	412,672	412,672
Changes in fair value	194,570	442,178	521,062	656,208	1,814,018
Currency translation differences	4,364	10,009	13,291	24,668	52,332
At 31 December 2019	367,504	840,806	1,083,224	1,922,238	4,213,772

On the listing date, all the preferred shares were automatically converted into ordinary shares, taken the IPO issue price of the ordinary shares of the Company as the fair value, namely HK$8.95 (equivalent to RMB8.18).

29. CONVERTIBLE LOAN

	2020 RMB'000	2019 RMB'000
Non-current portion		
Convertible loan	**1,149,550**	1,117,176

	Convertible loan RMB'000
At 1 January 2019	957,269
Changes in fair value	159,907
At 31 December 2019 and 1 January 2020	1,117,176
Changes in fair value	32,374
At 31 December 2020	**1,149,550**

In August 2018, Guangzhou InnoCare was jointly established by Guangzhou Kaide Technology Development Limited ("Guangzhou Kaide", it was renamed as Guangzhou High-Tech Zone Technology Holding Group Co., Ltd.) and a subsidiary of the Company. In addition, Guangzhou Kaide provided Guangzhou InnoCare with a convertible loan amounting to RMB930 million, which bears interest at 6.5% per annum and is due on 31 December 2024. Under the loan agreement, Guangzhou InnoCare has to convert the loan into ordinary shares of Guangzhou InnoCare under certain conditions. The Group does not bifurcate any embedded derivatives from the host instrument and has designated the loan from Guangzhou Kaide with a convertible right ("convertible loan") as a financial liability at fair value through profit or loss. Further details are included in note 37 to the financial statements.

30. DEFERRED TAX LIABILITIES

	Development cost RMB'000
At 31 December 2019 and 2020	6,036

The deferred tax liabilities related to the development cost was recognised from the business combination in 2016 with the applicable tax rate of 16.5%. Since the intangible asset was not yet available for use and no impairment indicator was identified by management, there was no deferred tax charged in the consolidated statement of profit or loss during the year.

31. SHARE CAPITAL

Shares

The Company was incorporated in the Cayman Islands on 3 November 2015 with initial authorised share capital of US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each. In September 2016, the authorised share capital was further sub-divided into 25,000,000,000 shares with a par value of US$0.000002 each.

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
1,289,165,235 (2019: 300,256,065) ordinary shares of US$0.000002 each	16	4

A summary of the movements in the Company's share capital is as follows:

		Number of shares in issue '000	Share capital RMB'000	Share premium RMB'000
Issued and fully paid:				
As at 31 December 2019 and 1 January 2020		300,256	4	9,341
Settlement of RSUs and share options	(a)	47,797	–	125,311
Issue of shares for IPO	(b)	250,324	4	2,048,394
Automatic conversion of preferred shares upon IPO	(c)	532,245	7	4,355,343
Issue of shares under the over-allotment option	(d)	37,548	1	307,456
Share issue expenses		–	–	(102,609)
Treasury shares held in trust as at 31 December 2020	(e)	120,995	–	–
As at 31 December 2020		1,289,165	16	6,743,236

a) On 7 January 2020, 32,282,611 RSUs of US$0.000002 per share have been exercised. On 2 November 2020, 15,514,444 RSUs of US$0.000002 per share have been exercised.

b) In connection with the Company's IPO, 250,324,000 ordinary shares of US$0.000002 each were issued at a price of HK$8.95 per share for a total cash consideration, before deducting the listing expenses, of approximately HK$2,240,400,000 (equivalent to RMB2,048,398,000). Dealings in these shares on the Stock Exchange commenced on 23 March 2020.

c) All preferred shares were automatically converted into 532,244,771 ordinary shares upon the successful IPO of the Company on 23 March 2020.

d) On 22 April 2020, 37,548,000 ordinary shares of US$0.000002 each (the "Over-allotment Shares") were issued by the full exercise of the over-allotment option at a price of HK$8.95 per share for a total cash consideration, before listing expenses, of approximately HK$336,055,000 (equivalent to approximately RMB307,457,000).

e) As at 31 December 2020, 120,995,334 shares have been reserved under the schemes and are currently held by Golden Autumn Group Limited, Strausberg Group Limited and TMF (Cayman) Ltd. for a further grant or vesting of awards under the schemes. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity.

(a) Other reserve

The Group's other reserve includes:

(i) The excess of consideration for purchasing the remaining 10% shares of its subsidiary held by a non-controlling shareholder over the proportion of the carrying amounts of the subsidiary's net assets acquired; and

(ii) The capital contribution was from a holder of the preferred shares of the Company. The Company obtained and fully settled an interest-free loan of US$6.59 million from King Bridge in previous years. The management of the Company measured the loan at fair value on initial recognition, and the difference between the loan amount and its fair value was treated as a contribution to the Company.

(b) Foreign exchange reserve

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

33. SHARE-BASED PAYMENTS

The Company operates three share-based payment schemes, 2015 Global Share Plan, 2016 Global Share Plan and 2018 Global Share Plan (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include the Company's directors, the Group's employees and consultants.

"Class A Ordinary Shares" refers to the Company's class A ordinary shares, with a par value of US$0.000002 per share.

"Class B Ordinary Shares" refers to the Company's class B ordinary shares, with a par value of US$0.000002 per share, all of which shall be reserved and issued for employee incentive purposes under the employee stock option plan as adopted by the board of directors of the Company.

2015 Global Share Plan

The 2015 Global Share Plan became effective on 6 September 2016 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 183,888,050 Class B Ordinary Shares. The 2015 Global Share Plan permits the awards of share options and RSUs. Share options and RSUs do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

33. SHARE-BASED PAYMENTS (continued)

2016 Global Share Plan

The 2016 Global Share Plan became effective on 6 September 2016 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 22,200,000 Class B Ordinary Shares. The 2016 Global Share Plan permits the awards of RSUs, which do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

2018 Global Share Plan

The 2018 Global Share Plan became effective on 28 November 2018 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 68,498,464 Class B Ordinary Shares. The 2018 Global Share Plan permits the awards of RSUs, which do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

Share options

The share options have vesting terms in schedule from the grant date over 4 years on the condition that the directors and employees remain in service and fulfil certain performance conditions of the Company and individuals.

Subject to the achievement of certain performance conditions and the directors and employees' continued status as a service provider through each of the applicable vesting dates and to the extent permitted by applicable law, the option shall be vested in whole or in part in accordance with the option rules and the vesting schedule set forth as follows:

(1) 60% of the share options have been granted on the condition that the eligible directors and employees remain in service ("time options"). The time options will be vested within 4 years from the vesting commencement date. Specifically, 25% of the time options shall become vested upon the first anniversary of the vesting commencement date, and the remaining vesting of time options shall subsequently vest in equal and continuous annually instalments over the three years thereafter, which shall vest on each of the following three anniversaries of such date ("the Vesting Rule").

(2) 20% of the share options have been granted as company performance-based share options to the directors and employees of the Group ("company performance-based options"). The vesting of such company performance-based options shall be subject to the achievement of the company performance target. The company performance-based options will be vested within 4 years from the vesting commencement date. The Vesting Rule is the same as what has been set forth in (1) above.

33. SHARE-BASED PAYMENTS (continued)

Share options (continued)

(3) the remaining 20% of the share options have been granted as individual performance-based share options to the directors and employees ("individual performance-based options"). The vesting of such individual performance-based options shall be subject to the achievement of the individual performance target. The individual performance-based options will be vested within 4 years from the vesting commencement date. The Vesting Rule is the same as what has been set forth in (1) above.

For those awards, evaluations are made as of each reporting date to assess the likelihood of performance criteria being met. Share-based payment expenses are then adjusted to reflect the revision of original estimates.

The exercise prices and exercise periods of the share options outstanding under the 2015 Global Share Plan as at 31 December 2020 are as follows:

	Number of share options	Average exercise price per share option US$
Outstanding as of 1 January 2019	52,144,445	0.0253
Exercised during the year	52,144,445	0.0253
As at 31 December 2019 and 1 January 2020	–	–
Exercised during the year	–	–
As at 31 December 2020	–	

Note: There were 24,222,223 share options with an exercise price of US$0.024 each and 27,922,222 share options with an exercise price of US$0.0264 each.

RSUs

The Group also grants RSUs at the par value of the ordinary shares to the Company's directors and the Group's employees and consultants under the 2015 Global Share Plan. Besides, the Group also grants RSUs at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan.

The RSUs have vesting terms in different schedules from the grant date over 4 years, 5 years or certain milestone-based requirements. Once the vesting conditions underlying the respective RSUs are met, the shares under RSUs will be issued to the grantees at par value.

33. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

(1) For vesting schedule of 4 years or 5 years, specifically, the RSUs awarded vest in tranches from the grant date over a certain service period, on the condition that employees remain in service and met the certain performance conditions of the Company and individuals. There are four types for the period of cliff vesting set out:

(a) the period of cliff vesting equals to 1 year, 25% of the RSUs shall become vested upon the first anniversary of the vesting commencement date; or 50% of the RSUs shall become vested upon the first anniversary of the vesting commencement date;

(b) the period of cliff vesting equals to 2 years, 40% of the RSUs shall become vested upon the first (or second) anniversary of the vesting commencement date;

(c) the period of cliff vesting equals to 3 years, 60% of the RSUs shall become vested upon the third anniversary of the vesting commencement date.

After the agreed period of cliff vesting, the remaining vesting of RSUs shall subsequently vest in equal and continuous annual instalments over the three or two years thereafter, which shall vest on each of the following three or two anniversaries of such date.

(2) For vesting schedule for certain milestone-based awards, the RSUs are vested subject to the directors and employees' continued status as a service provider and the achievement of a specified performance target including but not limited to the completion of marketing authorisation of various drug candidates or achievement of certain sales targets.

Subject to the achievement of certain milestone conditions, certain performance conditions and the directors and employees' continued status as a service provider through each of the applicable vesting dates, and to the extent permitted by applicable law, the RSUs shall be vested in whole or in part in accordance with the rules and the vesting schedule, which is same as what has been set forth regarding the share options above.

33. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

The following RSUs were outstanding under the Schemes:

	Number of RSUs			
	2015 Global share plan (note a)	2016 Global share plan (note b)	2018 Global share plan (note c)	Total
Outstanding as of 31 December 2018 and 1 January 2019	113,545,451	–	–	113,545,451
Granted during the year	17,405,555	–	3,140,000	20,545,555
Exercised during the year	(53,649,670)	–	–	(53,649,670)
Outstanding as of 31 December 2019 and 1 January 2020	77,301,336	–	3,140,000	80,441,336
Granted during the year	16,792,599	15,540,012	15,074,000	47,406,611
Cancelled during the year	(16,000,000)	–	–	(16,000,000)
Forfeited during the year	(1,000,000)	–	(200,000)	(1,200,000)
Exercised during the year	(32,307,043)	(15,490,012)	–	(47,797,055)
Outstanding as of 31 December 2020	44,786,892	50,000	18,014,000	62,850,892

(a) 2015 Global Share Plan

The Group had cancelled 16,000,000 RSUs which shall be vested at the price of US$0.000002 per share and granted 16,792,599 immediately vesting RSUs with a nil consideration to certain eligible individuals. The 1,000,000 RSUs have been forfeited under the 2015 Global Share Plan during the year ended 31 December 2020 (31 December 2019: Nil). The 32,307,043 RSUs have been exercised under the 2015 Global Share Plan during the year ended 31 December 2020 (2019: 17,405,555 RSUs were granted at par value of the Company's shares, and 52,144,445 granted share options and 53,649,670 RSUs were vested). As at 31 December 2020, the total number of RSUs which remain outstanding under the 2015 Global Share Plan was 44,786,892 (31 December 2019: 77,301,336).

(b) 2016 Global Share Plan

The Group had granted 15,490,012 immediately vesting RSUs of the Company's shares with a nil consideration and 50,000 RSUs which shall be vested at the price of US$0.055 per share to certain eligible individuals. 15,490,012 RSUs have been vested under the 2016 Global Share Plan during the year ended 31 December 2020 (31 December 2019: Nil). As at 31 December 2020, the total number of RSUs which remain outstanding under the 2016 Global Share Plan was 50,000 (31 December 2019: Nil).

33. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

(c) 2018 Global Share Plan

The Group had granted 15,074,000 RSUs at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan during the year ended 31 December 2020 (2019: 3,140,000 RSUs). The 200,000 RSUs have been forfeited under the 2018 Global Share Plan during the year ended 31 December 2020 (31 December 2019: Nil). As at 31 December 2020, the total number of RSUs which remain outstanding under the 2018 Global Share Plan was 18,014,000 (31 December 2019: Nil).

The fair value of each RSU at the respective grant dates is determined by using the back-solve method from the most recent transaction price of the Company's preferred shares.

The Group recognised share-based payment expenses of RMB65.8 million and RMB220.1 million for the years ended 31 December 2019 and 2020, respectively.

At the date of approval of the financial statements, the Company has 57,554,452 shares which have been reserved for further grant or vesting under the Schemes, representing approximately 4.46% of the Company's shares in issue. Further details are included in note 41 to the financial statements.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB19,628,820 and RMB19,628,820, respectively, in respect of lease arrangements for office and laboratory (2019: RMB3,349,000 and RMB3,349,000, respectively).

Except for the transaction above and the transaction mentioned in note 34(a), there were no major non-cash transactions during the year.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

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

	Loans from a related party RMB'000	Convertible redeemable preferred shares RMB'000	Convertible loan RMB'000	Loans and borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	**9,098**	**4,213,772**	**1,117,176**	**–**	**9,598**	**5,349,644**
Changes from financing activities	**(9,255)**	**–**	**–**	**–**	**(5,900)**	**(15,155)**
Changes in fair value	**–**	**141,579**	**32,374**	**–**	**–**	**173,953**
Currency translation differences	**(74)**	**–**	**–**	**–**	**(87)**	**(161)**
Covid-19-related rent concessions	**–**	**–**	**–**	**–**	**(150)**	**(150)**
New lease arrangements	**–**	**–**	**–**	**–**	**19,629**	**19,629**
Accretion of interest	**231**	**–**	**–**	**–**	**908**	**1,139**
Convertion into ordinary shares	**–**	**(4,355,351)**	**–**	**–**	**–**	**(4,355,351)**
At 31 December 2020	**–**	**–**	**1,149,550**	**–**	**23,998**	**1,173,548**
At 1 January 2019	8,882	1,934,750	957,269	50,395	13,123	2,964,419
Changes from financing activities	–	411,694	–	(50,496)	(7,599)	353,599
Changes in fair value	–	1,814,018	159,907	–	–	1,973,925
Currency translation differences	128	52,332	–	–	(24)	52,436
New lease arrangements	–	–	–	–	3,349	3,349
Accretion of interest	88	978	–	101	749	1,916
At 31 December 2019	9,098	4,213,772	1,117,176	–	9,598	5,349,644

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**1,373**	1,305
Within financing activities	**5,988**	7,600
	7,361	8,905

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Plant and machinery	**108,697**	180,904

36. RELATED PARTY TRANSACTIONS

Group and Company

(a) The Group had the following transactions with a related party during the year:

	2020 RMB'000	2019 RMB'000
Repayment to a related party:		
King Bridge	**9,255**	–
Interest paid to a related party:		
King Bridge	**231**	–

In July 2017, the Company repurchased 22,000,000 Series B Preferred Shares of its own from the preferred shareholder, King Bridge Investments Limited ("King Bridge"), at an aggregate consideration of US$1,275,047 which is unsecured, interest-bearing at 1% per annum and repayable at the earlier of (i) 21 July 2023 and (ii) the consummation of the initial public offering of the Company's ordinary shares. The Company had settled this loan during the year.

(b) Outstanding balances with a related party:

	2020 RMB'000	2019 RMB'000
Loans from a related party:		
King Bridge	**–**	9,098

36. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**10,566**	7,453
Pension scheme contributions	**94**	97
Share-based payment expenses	**157,914**	42,827
Total compensation paid to key management personnel	**168,574**	50,377

Further details of directors' and the chief executive's remuneration are included in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	**152**	**152**
Financial assets included in prepayments, other receivables and other assets	**33,613**	**33,613**
Cash and bank balances	**3,969,640**	**3,969,640**
	4,003,405	**4,003,405**

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Trade payables	**5,520**	**–**	**5,520**
Financial liabilities included in other payables and accruals	**57,259**	**–**	**57,259**
Convertible loan	**–**	**1,149,550**	**1,149,550**
	62,779	**1,149,550**	**1,212,329**

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2019

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Trade receivables	37	–	37
Financial assets included in prepayments, other receivables and other assets	9,554	–	9,554
Financial assets at fair value through profit or loss	–	80,347	80,347
Cash and bank balances	2,291,773	–	2,291,773
	2,301,364	80,347	2,381,711

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Trade payables	8,197	–	8,197
Financial liabilities included in other payables and accruals	31,456	–	31,456
Convertible redeemable preferred shares	–	4,213,772	4,213,772
Convertible loan	–	1,117,176	1,117,176
	39,653	5,330,948	5,370,601

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, financial assets at fair value through profit or loss, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, loans and borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. The finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Investments measured at fair value through profit or loss	–	–	–	–
As at 31 December 2019				
Investments measured at fair value through profit or loss	–	80,347	–	80,347

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020				
Financial liabilities at fair value through profit or loss:				
Convertible loan	–	–	1,149,550	1,149,550
As at 31 December 2019				
Financial liabilities at fair value through profit or loss:				
Convertible redeemable preferred shares	–	–	4,213,772	4,213,772
Convertible loan	–	–	1,117,176	1,117,176
	–	–	5,330,948	5,330,948

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

Financial instruments in Level 2

The fair value of investments in wealth management products that are not traded in an active market is determined by using valuation techniques. These financial assets have been fair valued using present value of cash flows based on the risk-free rate that is quoted in the active market.

Financial instruments in Level 3

The following table gives information about how the fair value of the convertible loan is determined. Further details of the convertible redeemable preferred shares are included in note 29 to the financial statements.

	Fair value RMB'000	Significant unobservable inputs	Range of input (%)	Relationship
At 31 December 2020	**1,149,550**	**Discount rate**	**2.88~5.03**	**note**
At 31 December 2019	1,117,176	Discount rate	2.82~4.97	note

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

Financial instruments in Level 3 (continued)

The Group applied the discounted cash flow method to determine the fair value of the convertible loan, which is the probability-weighted average of the convertible option and straight loan. The discount rate for convertible loan is the risk-free rate while the discount rate for the straight loan at the end of the reporting period is the risk-free rate plus an implied spread. The Group estimated the risk-free interest rate based on the yield of the China Government Bond Zero Curve as of the valuation date with the term corresponding to the time to maturity of the convertible loan.

Below is a summary of significant unobservable inputs to the valuation of the convertible loan with a quantitative sensitivity analysis as at the end of the reporting period.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input RMB'000
Convertible loan	Discount cash flow method;	discount rate for convertible option	31 December 2020: 2.88%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (37,535)/39,404
			31 December 2019: 2.82%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (45,534)/48,270
		discount rate for straight loan	31 December 2020: 5.03%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (5,973)/6,264
			31 December 2019: 4.97%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (7,101)/7,519

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, investments measured at fair value through profit or loss, investments measured at amortised cost, loans and borrowings, a convertible loan and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	**Increase/ (decrease) in loss before tax** RMB'000	**Increase/ (decrease) in equity** RMB'000
2020			
If RMB weakens against US$	**5**	**53,157**	**45,184**
If RMB strengthens against US$	**(5)**	**(53,157)**	**(45,184)**
If RMB weakens against AU$	**5**	**192**	**163**
If RMB strengthens against AU$	**(5)**	**(192)**	**(163)**
If RMB weakens against HK$	**5**	**161**	**137**
If RMB strengthens against HK$	**(5)**	**(161)**	**(137)**
2019			
If RMB weakens against US$	5	20	17
If RMB strengthens against US$	(5)	(20)	(17)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The carrying amounts of cash and bank balances, investments measured at fair value through profit or loss, trade receivables, other receivables and other financial assets represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and bank balances and investments measured at fair value through profit or loss since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from on-performance by these counterparties.

The Group also expects that there is no significant credit risk associated with other receivables and other financial assets since counterparties to these financial assets have no history of default.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2020				
	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	5,520	–	–	–	5,520
Financial liabilities included in other payables and accruals	57,259	–	–	–	57,259
Lease liability	–	6,833	17,165	–	23,998
Convertible loan (note b)	–	–	1,302,775	–	1,302,775
	62,779	6,833	1,319,940	–	1,389,552

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows: (continued)

	As at 31 December 2019				
	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	8,197	–	–	–	8,197
Financial liabilities included in other payables and accruals	16,784	–	–	–	16,784
Lease liabilities	–	6,528	3,587	–	10,115
Loans from a related party	–	9,120	–	–	9,120
Convertible redeemable preferred shares (note a)	–	–	2,822,833	–	2,822,833
Convertible loan (note b)	–	–	–	1,302,775	1,302,775
	24,981	15,648	2,826,420	1,302,775	4,169,824

Notes:

(a) The liquidity risk of convertible redeemable preferred shares is the original issue price of preferred shares plus the respective pre-determined interest (the "redemption amount"), assuming that no consummation of public listing of the Company's shares before the fifth anniversary of the series D original issue date and the holders of the preferred shares request the Company to redeem all of the Preferred Shares.

(b) The liquidity risk of the convertible loan is the original loan principal plus the pre-determined interest of 6.5% per annum, assuming that it will be due on 31 December 2024 without any conversion into ordinary shares of Guangzhou InnoCare.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is calculated as a total debt divided by total assets. The total debt includes loans and borrowings, loans from a related party, and a convertible loan. The gearing ratio as at the end of the reporting periods were as follows:

	2020	2019
	RMB'000	RMB'000
Current liabilities:		
Loans from a related party	**–**	9,098
Non-current liabilities:		
Convertible loan	**1,149,550**	1,117,176
The total debt	**1,149,550**	1,126,274
Total assets	**4,537,710**	2,615,693
Gearing ratio	**25%**	43%

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
CURRENT ASSETS		
Due from a subsidiary	**762,922**	549,425
Cash and bank balances	**3,042,882**	1,190,462
Total current assets	**3,805,804**	1,739,887
CURRENT LIABILITIES		
Other payables and accruals	**2,800**	–
Due to a subsidiary	**–**	12,936
Loans from a related party	**–**	9,098
Total current liabilities	**2,800**	22,034
NET CURRENT ASSETS	**3,803,004**	1,717,853
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,803,004**	1,717,853
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	**–**	4,213,772
Total non-current liabilities	**–**	4,213,772
NET ASSETS/(LIABILITIES)	**3,803,004**	(2,495,919)
EQUITY		
Share capital	**16**	4
Reserves	**3,802,988**	(2,495,923)
TOTAL EQUITY	**3,803,004**	(2,495,919)

Note:

A summary of the Company's reserves is as follows:

	31 December 2020					
	Share premium RMB'000	Other reserve RMB'000	Share-based payment reserve RMB'000	Foreign exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January2020	**9,341**	**602**	**143,873**	**(28,076)**	**(2,621,663)**	**(2,495,923)**
Profit for the year	**–**	**–**	**–**	**–**	**(220,507)**	**(220,507)**
Exchange differences on translation of foreign operations into the presentation currency	**–**	**–**	**–**	**(304,787)**	**–**	**(304,787)**
Total comprehensive loss for the year	**-**	**–**	**–**	**(304,787)**	**(220,507)**	**(525,294)**
Issue of shares	**6,608,583**	**–**	**–**	**–**	**–**	**6,608,583**
Equity-settled share-based payment expenses	**–**	**–**	**215,621**	**–**	**–**	**215,621**
Exercise of RSUs	**125,311**	**–**	**(125,311)**	**–**	**–**	**–**
At 31 December 2020	**6,743,235**	**602**	**234,183**	**(332,863)**	**(2,842,170)**	**3,802,987**

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

	31 December 2019					
	Share premium RMB'000	Other reserve RMB'000	Share-based payment reserve RMB'000	Foreign exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	–	602	78,069	(2,373)	(748,210)	(671,912)
Loss for the year	–	–	–	–	(1,873,453)	(1,873,453)
Exchange differences on translation of foreign operations into the presentation currency	–	–	–	(25,703)	–	(25,703)
Total comprehensive loss for the year	–	–	–	(25,703)	(1,873,453)	(1,899,156)
Issue of shares	9,341	–	–	–	–	9,341
Share-based payments	–	–	65,804	–	–	65,804
At 31 December 2019	9,341	602	143,873	(28,076)	(2,621,663)	(2,495,923)

41. EVENTS AFTER THE REPORTING PERIOD

On February 2, 2021, the Company and centain investors had entered into two subscription agreements pursuant to which the Company has conditionally agreed to allot and issue and the investors, namely Gaoling Fund L.P., YHG Investment L.P. and Vivo Opportunity Fund, L.P., has conditionally, on a several but not joint basis, agreed to subscribe for an aggregate of 210,508,000 new Shares of the Company, representing approximately 16.33% of the existing total issued shares of the Company as at the date of the subscription agreements and approximately 14.04% of the total issued shares of the Company as enlarged by the allotment and issue of the subscription shares, at the subscription price of HK$14.45 per subscription share, a premium of approximately 8.32% to the average closing price per Shares of HK$13.34 for the five trading days immediately preceding the date of the subscription agreements (not including February 2, 2021).

On 16 March 2021, the Group granted 2,000,000 RSUs which shall be vested at an exercise price of US$0.055 to certain eligible individuals under the 2016 Global Share Plan and 2,680,000 RSUs which shall be vested at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan.

On 23 March 2021, the Group granted 280,000 RSUs which shall be vested at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

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