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

2021 ANNUAL REPORT

Contents

InnoCare Pharma Limited
2021 Annual Report

DEFINITIONS

"2016 Pre-IPO Incentivisation Plan"	the pre-IPO employee global share plan adopted by the Company on 6 September 2016 and as amended by the resolutions in writing by the Board passed on 5 February 2018
"2018 Pre-IPO Incentivisation Plan"	the pre-IPO employee global share plan adopted by the Company on 28 November 2018
"AD"	Atopic Dermatitis
"AGM"	annual general meeting of the Company
"ALL"	Acute Lymphoblastic Leukemia
"AML"	Acute Myeloid Leukemia
"Articles of Association" or "Articles"	articles of association of our Company adopted on 8 October 2019 with effect from the Listing Date, as amended from time to time
"AQP4 IgG"	aquaporin 4 antibody
"ASH"	American Society of Hematology
"AUD"	Australian dollars, the lawful currency of Australia
"Audit Committee"	the audit committee of the Board
"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
"BCR"	B-cell receptor
"Biogen"	Biogen Inc. (Nasdaq: BIIB)
"Board"	the board of directors of our 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
"CDC"	complement-dependent cytotoxicity
"CDE"	Center for Drug Evaluation, an institution under the NMPA
"CEO" or "Chief Executive Officer"	chief executive officer of our 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
"Chief Financial Officer"	chief financial officer of our Company
"China" or "PRC"	People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"cholangiocarcinoma"	bile duct cancer, a type of cancer that forms in the bile ducts
"CLL"	chronic lymphocytic leukemia
"CMO"	contract manufacture organization
"CNSL"	central nervous system lymphoma
"Company" or "Our Company" or "InnoCare"	InnoCare Pharma Limited (Stock code: 9969), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 3 November 2015, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange on 23 March 2020
"Compensation Committee"	the compensation committee of the Board
"Director(s)"	the directors 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
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "our", "we" or "us"	the Company and its subsidiaries from time to time
"Guangzhou Kaide"	Guangzhou Kaide Technology Development Co., Ltd., which was renamed as Guangzhou Development Zone Financial Holding Group Co., Ltd since September 2019
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"hERG"	a gene that codes for a protein known as Kv11.1, the alpha subunit of a potassium ion channel
"Hillhouse"	HHLR Advisors, Ltd. (formerly known as Hillhouse Capital Advisors, Ltd.) is the investment manager and general partner of HHLR Fund, L.P. (formerly known as Gaoling Fund, L.P.) and YHG Investment, L.P.
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or Stock Exchange or HKEx"	The Stock Exchange of Hong Kong Limited
"IBD"	"IBD" inflammatory bowel disease
"ICP-022" or "Orelabrutinib"	one of the Company's clinical commercial drug candidates

"ICP-105"	one of the Company's clinical stage drug candidates
"ICP-192"	one of the Company's clinical stage drug candidates
"IL-2"	Iinterleukin-2
"IL-5"	Interleukin-5
"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
"IRC"	Independent Review Board
"ITK"	inducible T cell kinase
"ITP"	Immune Thrombocytopenia
"iwNHL"	International Working Group Criteria for Non-Hodgkin Lymphoma
"JAK"	Janus tyrosine kinase
"Keymed"	Keymed Biosciences Inc. ("2162.HK")
"KM12"	one of the cell lines of the NCI-60 panel which represents different cancer types and has been widely utilized for drug screening and molecular target identification. KM12 is colorectal cancer cell line carrying TPM3-NTRK1 gene fusion
"Listing"	the listing of the shares on the Main Board of the Stock Exchange

"Listing Date"	23 March 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, as amended or supplemented from time to time
"LMNA"	also known as Lamin A/C, is a protein that in humans is encoded by the LMNA gene. Lamin A/C belongs to the lamin family of proteins
"LN"	Lupus Nephritis
"LVC Entities"	LVC Lion Fund LP, Loyal Valley Capital Advantage Fund II LP, and Loyal Valley Capital Advantage Fund LP
"MCL"	mantle cell lymphoma, a type of B-cell non-Hodgkin lymphoma
"MCL"	mantle cell lymphoma, a type of B-cell non-Hodgkin lymphoma
"Mebworks"	Beijing Mebworks Biotech Company Limited
"MM"	multiple myeloma
"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
"NMOSD"	neuromyelitis optica spectrum disorder, also known as demyelinating autoimmune disease, is a chronic disorder of the brain and spinal cord dominated by inflammation of the optic nerve (optic neuritis) and inflammation of the spinal cord (myelitis)
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board

"NRDL"	National drug reimbursement list
"NTRK"	neurotrophic tyrosine receptor kinase
"OBD"	optimal biological dose, dose associated with a prespecified desired effect on a biomarker
"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
"Pre-IPO Incentivisation Plans"	the 2015 Pre-IPO Incentivisation Plan, the 2016 Pre-IPO Incentivisation Plan and the 2018 Pre-IPO Incentivisation Plan
"Prospectus"	the prospectus of the Company dated 11 March 2020 in relations of its Global Offering
"R&D"	research and development
"RA"	Rheumatoid Arthritis
"R/R" or "r/r"	relapsed and refractory
"Reporting Period"	the year ended 31 December 2021
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s)
"RP2D"	recommended phase 2 dose

DEFINITIONS

"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
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of US$0.000002 each
"Shareholder(s)"	holder(s) of our Share(s)
"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
"SRI"	The SLE Responder Index
"T-cell"	a type of lymphocyte produced or processed by the thymus gland and actively participating in the immune response. T-cells can be distinguished from other lymphocytes, such as B-cells and NK cells, by the presence of a T-cell receptor on the cell surface
"TDCC"	T-cell-dependent cellular cytotoxicity
"TEAEs"	treatment-emergent adverse events
"TRK"	a family of tyrosine kinases that regulates synaptic strength and plasticity in the mammalian nervous system

"TRKA G595R"	TRKA kinase with a mutation of G595R, i.e. changes of amino acid at 595 from glycine (G) to arginine (R)
"TYK2"	tyrosine kinase 2
"UC" or "urothelial cancer	urothelial cell carcinoma, a type of cancer that typically occurs in the urinary system and begins in urothelial cells
"U.S. FDA"	U.S. Food and Drug Administration
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"WM"	waldenstrom's macroglobulinemia

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 (resigned on 31 March 2022)
Mr. Shan Fu
Mr. Lijun Lin (resigned on 31 March 2021)
Mr. Ronggang Xie
(appointed with effect from 31 March 2021)
Mr. Ming Jin (appointed on 31 March 2022)

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

Ms. Angel Pui Shan Lee (appointed on 23 March 2022)
Mr. Keith Shing Cheung Wong (appointed on 9 February 2021 and resigned on 23 March 2022)
Ms. Ching Man Yeung (resigned on 9 February 2021)

AUTHORIZED REPRESENTATIVES

Dr. Jisong Cui
Ms. Angel Pui Shan Lee (appointed on 23 March 2022)
Mr. Keith Shing Cheung Wong (appointed on 9 February 2021 and resigned on 23 March 2022)
Ms. Ching Man Yeung (resigned on 9 February 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
27/F One Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong

COMPANY WEBSITE

www.innocarepharma.com

For the year ended 31 December 2021, total revenue was RMB1,043.0 million as compared with RMB1.4 million for the year ended 31 December 2020; total cost and expenses were RMB1,327.7 million as compared with RMB664.5 million for the year ended 31 December 2020, within which R&D expenses increased by 79.2% to RMB721.6 million from RMB402.8 million for the year ended 31 December 2020. The loss for the year decreased by 83.0% from RMB391.9 million for the year ended 31 December 2020 to RMB66.7 million for the year ended 31 December 2021. Our cash and bank and wealth management products balances increased 65.0% from RMB3,969.6 million for the year ended 31 December 2020 to RMB6,550.5 million for the year ended 31 December 2021.

During the fiscal year, we continued advancing our drug pipeline and business operations, including the following milestones and achievements:

ORELABRUTINIB

China National Medical Products Administration ("**NMPA**") granted Orelabrutinib a market approval on 25 December 2020 for the treatment of patients with relapsed and/or refractory chronic lymphocytic leukemia ("**r/r CLL/SLL**") and the treatment of patients with relapsed and/or refractory mantle cell lymphoma ("**r/r MCL**"). During the Reporting Period, our newly established in-house commercial team generated 宜諾凱® (**Orelabrutinib, BTK inhibitor**) gross revenue of RMB241.2 million.

In December 2021, Orelabrutinib was included in the updated National Drug Reimbursement List ("**NRDL**") for the treatment of r/r CLL/SLL and r/r MCL.

On 13 July 2021, we entered into a License and Collaboration Agreement for Orelabrutinib for the potential treatment of multiple sclerosis ("**MS**") with Biogen Inc. (**Nasdaq: BIIB**) (**hereinafter referred to as "Biogen"**). For details, please refer to the announcement of the Company dated 13 July 2021, published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.innocarepharma.com). On 22 September 2021, we had received the upfront payment in the amount of USD125 million from Biogen for the said License and Collaboration Agreement. Currently, a global Phase II trial for MS patients is on-going.

The Phase II trial for systemic lupus erythematosus ("**SLE**") was completed at the end of 2021. The study showed that Orelabrutinib was safe and well tolerated. Efficacy was demonstrated by remarkable SLE Responder Index ("**SRI**")-4 response rates in a dose dependent manner. Further development of Orelabrutinib for SLE is warranted and planned.

Further, Orelabrutinib has been included in the 2021 Chinese Society of Clinical Oncology ("**CSCO**") Diagnosis and Treatment Guidelines for Malignant Lymphoma (the "**Guidelines**") and is recommended as a Class I treatment for r/r CLL/SLL and r/r MCL, and as an optional treatment for r/r diffuse large B-cell lymphoma ("**DLBCL**") and primary central nervous system lymphoma ("**pCNSL**").

There are multiple registrational and exploratory trials ongoing for oncology and auto-immune diseases:

- The NDA for relapsed and/or refractory waldenstrom's macroglobulinemia ("**r/r WM**") was accepted by Center for Drug Evaluation ("**CDE**") in March 2022.
- We expect to submit the NDA for relapsed and/or refractory marginal zone lymphoma ("**r/r MZL**") in China in the first half of 2022.
- We initiated a Phase III registrational trial in China for the first-line treatment of MCD subtype DLBCL comparing Orelabrutinb in combination with R-CHOP verses R-CHOP.
- We are conducting a Phase III registrational trial for first-line treatment of CLL/SLL in China, comparing Orelabrutinib monotherapy versus rituximab plus chlorambucil.
- We are conducting a Phase III registrational trial for first-line treatment of MCL in China, comparing Orelabrutinib in combination with R-CHOP verses R-CHOP.
- We are exploring the combinational therapy of Orelabrutinib with Gazyva (**obinutuzumab**), an anti-CD20 antibody, for the treatment of B cell lymphoma.
- In the U.S., Phase II registrational trial for r/r MCL is expected to complete patient enrollment in 2022. In June 2021, the U.S. Food and Drug Administration ("**U.S. FDA**" or "**FDA**") granted Breakthrough Therapy Designation ("**BTD**") to Orelabrutinib for the treatment of r/r MCL.
- In the U.S., the first patient was enrolled in Phase II trial for MS in the first half of 2021. We started patient enrollment in Europe and China in the third quarter of 2021.
- The IND application for Orelabrutinib for the treatment of primary immune thrombocytopenia purpura ("**ITP**") was approved by CDE on 11 August 2021 and the first patient of the Phase II clinical trial was dosed in China on 22 February 2022.
- In February 2022, we received the IND approval of Orelabrutinib by NMPA for starting Phase II clinical trial in Neuromyelitis Optica Spectrum Disorder ("**NMOSD**") in China.

OTHER SIGNIFICANT CLINICAL STAGE ASSETS

ICP-B04 (Tafasitamab)

On 17 August 2021, we entered into a Collaboration and License Agreement for the development and commercialization of Tafasitamab, a humanized Fc-modified cytolytic CD19 targeting monoclonal antibody and approved by the U.S. FDA and European Medicine Agency in combination with lenalidomide for the treatment of r/r DLBCL, in Greater China (including Hong Kong, Macau and Taiwan) with Incyte Corporation (**Nasdaq: INCY**) (**hereinafter referred to as "Incyte"**). Tafasitamab is currently the first and the only approved second-time treatment for DLBCL in the U.S..

We are actively pursuing commercialization of Tafasitamab in the Greater China area in a timely manner.

ICP-192 (Gunagratinib)

In the dose-escalation part of Phase I/II trial, Gunagratinib was demonstrated safe and well-tolerated across all dosage cohorts ranging from 2 to 26mg with no DLT observed. In the dose-escalation trial, the anti-tumor activity of Gunagratinib was observed in head and neck cancer patients carrying FGF/FGFR gene aberrations with an overall response rate ("**ORR**") of 33.3%. 20mg was selected as the appropriate dosage for Phase II trials. In the Phase II trial, 20mg Gunagratinib showed preliminary efficacy in cholangiocarcinoma patients with 60.0% ORR and 100% disease control rate ("**DCR**").

In the U.S., we are conducting a Phase I/II dose-escalation trial in advanced solid tumor patients including those with cholangiocarcinoma and head and neck cancer.

ICP-723

In the Phase I dose escalation study, dosage has been escalated up to 12mg with no DLT observed. 80% ORR was observed in patients with NTRK fusion.

We obtained the U.S. FDA IND approval in 2021 for the treatment of NTRK fusion positive cancers.

ICP-332

We submitted our novel tyrosine kinase 2 ("**TYK2**") inhibitor ICP-332 IND application on 15 February 2021 and the NMPA approved the IND of Phase I clinical trial on 18 May 2021. We enrolled the first subject on 16 August 2021 and completed enrollment of the Phase I study at the end of January 2022.

ICP-B02 (CM355)

ICP-B02 is a CD20xCD3 bispecific antibody co-developed with Keymed Biosciences Inc. (**2162.HK**) (**hereinafter referred to as "Keymed"**) for the treatment of lymphoma. In preclinical studies, it demonstrated stronger T-cell-dependent cellular cytotoxicity ("**TDCC**") activities with less cytokine release as compared with its key competitors. The IND was approved by the CDE on 17 September 2021 and the dosing of the first patient was completed on 17 January 2022.

At the beginning of September 2021, InnoCare and Keymed signed a strategic cooperation agreement to strengthen R&D collaboration between the two parties, aiming at developing First-in-Class and Best-in-Class innovative large molecular drugs.

ICP-189

On 19 October 2021, we received IND approval from the NMPA for our SHP2 ("**Src Homology 2 domain containing protein tyrosine phosphatase**") allosteric inhibitor ICP-189. It is being developed for the treatment of solid tumors as a cornerstone therapy in combinations with other anti-tumor agents.

On 15 November 2021, we received the IND clearance of ICP-189 by the U.S. FDA for starting clinical trial in the U.S..

ICP-033

The IND application for ICP-033 was approved by the CDE in June 2021 and we expect to start patient enrollment in 2022. ICP-033 is a novel multi-target Receptor Tyrosine Kinase ("**RTK**") inhibitor and will be potentially used as monotherapy and/or in combination with immunotherapy and other targeted drugs to treat liver cancer, renal cell carcinoma, colorectal cancer and other solid tumors.

ICP-488

The IND application was approval by CDE on 22 March 2022, and we anticipate the first subject enrollment in the first half of 2022.

IND-ENABLING STAGE DRUG CANDIDATES

ICP-490

ICP-490 is a highly potent orally bioavailable next-generation CRBN modulator that modulates the immune system and other biological targets.

We plan to submit the IND application for ICP-490 in the first half of 2022.

ICP-B05 (CM369, newly disclosed)

ICP-B05 is an anti-CC chemokine receptor 8 ("**CCR8**") monoclonal antibody, a potential fist-in-class drug co-developed by InnoCare and Keymed as a monotherapy or in combination with other therapies for the treatment of various cancers. It has the potential to deliver optimal tumor targeted Treg depletion and be more specific in anti-tumor activity than other immunotherapies.

In China, we anticipate to submit the IND application in the second quarter of 2022.

ICP-248

ICP-248 is a novel, orally bioavailable B cell lymphoma-2 ("**BCL-2**") selective inhibitor.

We expect to submit the IND application in China in the first half of 2022.

ICP-915

ICP-915 is a highly potent, selective small molecule inhibitor against the G12C mutant form of Kirsten Rat Sarcoma ("**KRAS**") viral oncogene homologue.

Currently, ICP-915 is at the IND enabling stage.

ICP-B03

ICP-B03 is a tumor-conditional pro-interleukin-15 ("**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.

We plan to submit the IND application for ICP-B03 to the CDE in early 2023.

OTHER EVENTS

On 8 February 2022, our Company was notified by the relevant shareholders that, during December 2021 to January 2022, two substantial shareholders of our Company purchased an aggregate of approximately 13 million shares of the Company (the "**Shares**"), via on-market transactions.

Further, certain shareholders (including those who are Directors and/or is a member of the senior management) of the Company have undertaken on a voluntary basis to be subject to lock-up undertakings (the "**Lock-up Undertakings**"), with respect to their direct and indirect interest in the Shares, effective from the date of the announcement dated 8 February 2022. The number of shares held subject to the lock-up undertakings was 678,495,972, which amounted to approximately 45.24% of the total issued capital of the Company at the relevant time and the last day of the Lock-up Undertakings will be 7 August 2022.

On 13 September 2021, our Company announced that among other RMB Share Issue application materials submitted to and accepted by the Shanghai Stock Exchange, the full text of the application proof of the prospectus in relation to the RMB Share Issue ("**RMB Share Prospectus**") and the relevant appendices were published by the Company in Chinese only on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www. Innocarepharma.com/).

In 2021, the Group has achieved the following growth when compared with those of 2020:

	As at December 31,/year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)			
Cash and bank balances	**5,928,716**	3,969,640	2,291,773	1,876,618	36,874
Total assets	**7,397,531**	4,537,710	2,615,693	2,201,159	107,401
Total liabilities	**1,738,612**	1,377,204	5,563,439	3,039,533	499,465
Total equity/(deficit)	**5,658,919**	3,160,506	(2,947,746)	(838,374)	(392,064)
REVENUE	**1,043,033**	1,364	1,247	1,617	102
Cost of sales	**(65,667)**	–	–	–	–
Other income and gains	**217,938**	271,304	104,449	31,395	11,424
Selling and distribution expenses	**(298,463)**	(68,208)	(3,458)	(558)	–
Research and development costs	**(721,584)**	(402,771)	(213,123)	(149,726)	(62,882)
Administrative expenses	**(139,815)**	(89,371)	(63,623)	(17,523)	(14,644)
Other expenses	**(1,271)**	(1,489)	(2)	(710)	(542)
Finance costs	**(2,642)**	(1,139)	(1,916)	(3,441)	(2,537)
Fair value changes of convertible redeemable preferred shares	**–**	(69,181)	(1,814,018)	(387,804)	(272,686)
Fair value changes of convertible loan	**(51,014)**	(32,374)	(159,907)	(27,269)	–
Impairment losses on financial assets	**(32)**	–	–	–	–
Shares of profits and losses of joint ventures	**(604)**	–	–	(4)	31
Income tax expense	**(46,558)**	–	–	–	–
LOSS FOR THE YEAR	**(66,679)**	(391,865)	(2,150,351)	(554,023)	(341,734)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and diluted	**(RMB0.05)**	(RMB0.40)	(RMB9.32)	(RMB2.83)	(RMB1.76)

REVENUE

Our revenue increased from RMB1.4 million for the year ended 31 December 2020 to RMB1,043 million for the year ended 31 December 2021, which was primarily attributable to (i) the receival of the license-out upfront payment from Biogen and the (ii) commencement of the sales of Orelabrutinib.

OTHER INCOME AND GAINS

Our other income and gains decreased from RMB271.3 million for the year ended 31 December 2020 to RMB217.9 million for the year ended 31 December 2021, primarily attributable to (i) RMB51.2 million decrease in foreign exchange gain from RMB108.3 million in 2020 to RMB57.1 million in 2021 due to the unrealized exchange gains resulting from our overseas companies' RMB exchanging to its functional currency, USD; (ii) RMB38.3 million increase in bank interest income from RMB96.8 million in 2020 to RMB135.1 million in 2021; and (iii) RMB48.1 million decrease in recognized government grants from RMB64.4 million in 2020 to RMB16.3 million in 2021.

TOTAL EXPENSES

Our total expense, including selling and distribution expenses, research and development costs, and administrative expenses, increased from RMB560.4 million for the year ended 31 December 2020 to RMB1,159.9 million for the year ended 31 December 2021, primarily due to the expansion of our clinical trials, the increase in license-in expense, and increase of personnel cost. Such increase was mainly resulted from (i) RMB70.9 million increase of direct clinical trial and third-party contracting cost from RMB96.7 million to RMB167.6 million; (ii) RMB263.7 million increase of license-in and collaborative R&D expenses from RMB9.3 million to RMB273.0 million; (iii) RMB144.2 million increase in employee cost from RMB140.4 million to RMB284.6 million.

LOSS FOR THE YEAR

As a result of the above factors, and taking into account of (i) a decrease in loss due to fair value change of convertible redeemable preferred shares from a loss of RMB69.2 million in 2020 to nil in 2021 due to the Company's Hong Kong listing in the first half of 2020, and (ii) an increase in loss due to the fair value change of convertible loan from a loss of RMB32.4 million for the year ended 31 December 2020 to a loss of RMB51.0 million for the year ended 31 December 2021, (iii) an increase of RMB46.6 million in income tax expense mainly due to the withholding tax from the license-out revenue, the loss for the year decreased from RMB391.9 million for the year ended 31 December 2020 to RMB66.7 million for the year ended 31 December 2021.

Dr. Jisong Cui (Jasmine Cui)
Chairperson and Executive Director

Dear Shareholders,

Thank you for your continuous support to InnoCare. On behalf of the Board, I am pleased to present to you our achievements in 2021 and our vision for future success. Despite a complex environment, we have sailed through 2021 smoothly with remarkable accomplishments in all aspects of our business.

A HARVEST YEAR VALIDATES OUR CAPABILITIES IN ALL ASPECTS

Our commercial team launched Orelabrutinib in China successfully and achieved gross sales of RMB241.7 million in 2021. As Orelabrutinib has been included in the National Reimbursement Drug List (the "**NRDL**") at the year end, we have expanded our sales and marketing team to an adequate scale to accelerate the market penetration in 2022 and beyond. In addition, Orelabrutinib was included in the 2021 CSCO Diagnosis and Treatment Guidelines for Malignant Lymphoma and is recommended as a Class I treatment for r/r/CLL/SLL and r/r MCL, and as an optional treatment for r/r DLBCL and pCNSL.

In business development, we out-licensed global right of Orelabrutinib, a potential best-in-class CNS penetrant BTK inhibitor, in Multiple Sclerosis ("**MS**") and certain autoimmune disease rights outside China to Biogen Inc (Nasdaq:BIIB) (hereinafter referred to as "**Biogen**") with potentially lucrative terms. This is a jump-start step for our globalization and a major validation of Orelabrutinib's potential for MS and autoimmune disease treatment. We also in-licensed Tafasitamab, a highly effective treatment for r/r DLBCL, from Incyte, which is strategically important to our ambition of building a leadership position in the hema-oncology space.

We kept advancing our valuable assets rapidly in China and worldwide. We had built up a highly differentiated and competitive pipeline consisting of 10 clinical assets, more than 30 ongoing clinical trials ongoing globally, and 4-5 IND enabling stage candidates, focusing on hema-oncology, solid tumor, and autoimmune disease areas.

Our core product Orelabrutinib is progressing through multiple registrational and exploratory trials in oncology and autoimmune diseases. Specifically, The Phase II trial for systemic lupus erythematosus ("**SLE**") demonstrated promising efficacy and safety profile, making it potentially the first-in-class BTKi for SLE.

In the past years, we have been expanding our infrastructure orderly. In 2021, our Guangzhou production facility is about ready to make commercial production soon. We opened our Shanghai New Bund Center Office and Beijing Kerry Center Office mainly for the rapidly growing clinical and commercial teams. In Beijing, we have acquired a piece of new land parcel to build our R&D center and biology production facilities.

Financially, in 2021, we achieved total revenue of RMB1,043.0 million which are comprised of Orelabrutinib sales and collaboration revenue. Through successful rounds of fund raising and with our highly cost effective and cost sensitive financial control, we ended 2021 with a net cash position of more than RMB5 billion, providing us sound financial safety and flexibility in the foreseeable future.

Looking back to the success we achieved in the past six years, we conclude that our spirit of innovation is our core competitiveness, and it is also the foundation upon which InnoCare will be able to thrive in the booming biotech industry.

EMBRACING MORE PROSPERITIES IN THE UPCOMING YEARS

With a solid foundation we have built in the past years, we are even more confident to accomplish our vision of becoming a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide. We will continue to fulfill our mission of "Science Drives Innovation for the Benefit of Patients" by improving capabilities in all aspects including but not limited to management, discovery, clinical development, commercialization, and business development.

We will continue to advance our product pipeline to meet the unmet clinical needs, accelerate the key clinical trials, and push more drug candidates into clinical stage. In the next twelve months, our priorities are to accelerate sales ramp up of Orelabrutinib with the NRDL coverage and to ensure smooth progress of the key pivotal trials. In the next few years, we believe we will have multiple innovative drugs commercialized which should bring satisfactory returns to our shareholders.

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. Meanwhile, we will continue to adhere to our cost effective and cost sensitive culture to maximize the risk-return ratio for our shareholders.

Finally, on behalf of all staff of InnoCare, I would like to express my heartfelt gratitude to all of our partners, shareholders, and stakeholders for their strong support and trust. My colleagues and I will remain highly focused on our mission to generate value for our shareholders and to improve public health globally through innovation.

Yours faithfully,

Dr. Jisong Cui (Jasmine Cui)
Chairperson and Executive Director

23 March 2022

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 differentiated and balanced drug portfolio, and have launched our first product Orelabrutinib in the market during the Reporting Period. 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.

We are well underway of building a leading hema-oncology franchise with (i) the core self- developed Orelabrutinib as a backbone therapy, (ii) the only U.S. FDA approved anti-CD19 antibody Tafasitamab for r/r DLBCL, (iii) multiple pipeline drugs that cover almost all important hema-oncology targets such as CD20xCD3, BCL-2 and E-3 ligase, and (iv) a well established and focused commercialization platform in China.

For the autoimmune diseases, we partnered with the global neurology leader Biogen in MS. Recently, we completed SLE Phase II trial in China and are actively pursuing further development of Orelabrutinib in SLE. We are also exploring Orelabrutinib for the treatment of ITP and NMOSD in Phase II trials. With the addition of our two TYK2 inhibitors (ICP-332 and ICP-488), we are well-positioned to provide oral drug solutions for substantial unmet clinical needs in autoimmune diseases.

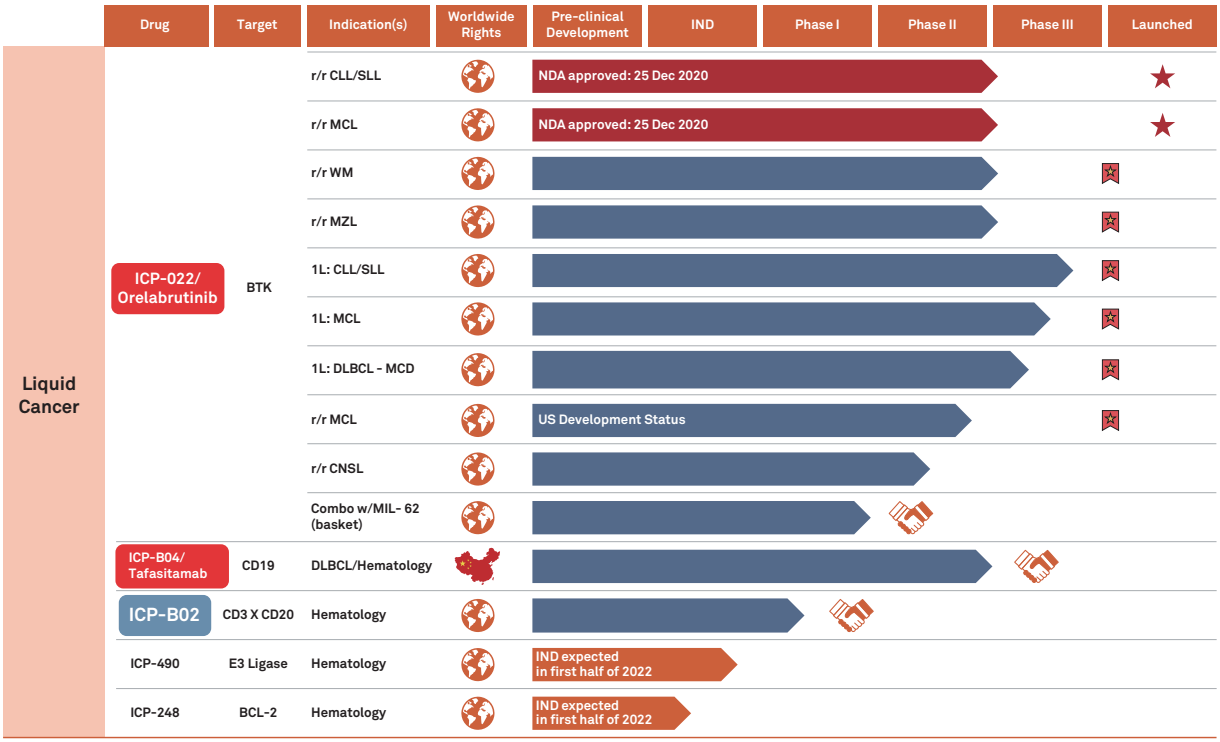
In the solid tumor field, we believe our potential best-in-class molecules ICP-192 targeting FGFR and ICP-723 targeting pan-TRK will enable us to establish a solid presence, while our rapidly growing and maturing early-stage pipeline including ICP-033, ICP-189, ICP-B05 ICP-915 and ICP-B03 targeting novel targets such as SHP2 and CCR8 should enable us to provide a competitive treatment solution for a large array of solid tumors for both China and global patients in the future.

With a proven excellency in small molecule R&D, we are establishing our internal biological drug R&D capability through internal and external efforts. We are also actively considering other new drug modalities such as PROTAC, ADC, molecule glue, and etc.

With two significant business development deals struck in 2021, our business development team is well positioned to continue maximizing the value of our internal pipeline and strengthening our platform through in-licensing and out licensing deals.

Product Pipeline

As of the date of this report, we have built a robust pipeline that includes 1 commercial product with 2 approved indications and additional 6 registrational trials, 10 clinical stage assets, over 30 trials ongoing globally, and another 4 to 5 IND enabling stage candidates. Our current pipeline drugs cover a variety of novel and validated therapeutic targets and drug modalities including monoclonal antibodies, bispecific antibodies, and small molecules across oncology and autoimmune diseases.


Drug
Target
Indication(s)
Worldwide Rights
Pre-clinical Development
IND
Phase I
Phase II
Phase III
Launched
Liquid Cancer
ICP-022/ Orelabrutinib
BTK
r/r CLL/SLL
NDA approved: 25 Dec 2020
r/r MCL
NDA approved: 25 Dec 2020
r/r WM
r/r MZL
1L: CLL/SLL
1L: MCL
1L: DLBCL - MCD
r/r MCL
US Development Status
r/r CNSL
Combo w/MIL- 62 (basket)
ICP-B04/ Tafasitamab
CD19
DLBCL/Hematology
ICP-B02
CD3 X CD20
Hematology
ICP-490
E3 Ligase
Hematology
IND expected in first half of 2022
ICP-248
BCL-2
Hematology
IND expected in first half of 2022
Registrational trials
Clinical Stage
Pre-clinical Stage
Commercial Product
Clinical Asset

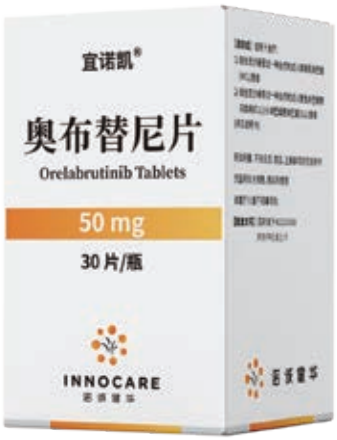

Drug
Target
Indication(s)
Worldwide Rights
Pre-clinical Development
IND
Phase I
Phase II
Phase III
Launched
Solid Tumors
ICP-192/ Gunagratinib
pan-FGFR
Cholangiocarcinoma
Urothelial cancer
Head & Neck
pan-FGFR (basket)
US Development Status
ICP-723
pan-TRK
NTRK fusion-positive cancers
ICP-B05
CCR8
Solid tumors
IND expected in first half of 2022
ICP-033
VEGFR, DDR1
Solid tumors
ICP-189
SHP2
Solid tumors
ICP-915
KRAS
Solid tumors
ICP-B03
IL-15
Solid tumors
Auto-immune diseases
ICP-022/ Orelabrutinib
BTK
SLE
MS
Global Development Status
ITP
NMOSD
ICP-332
TYK2 – JH1
Autoimmune diseases
ICP-488
TYK2 – JH2
Autoimmune diseases
ICP-490
E3 ligase
Autoimmune diseases
IND expected in first half of 2022
Registrational trials
Clinical Stage
Pre-clinical Stage
Commercial Product
Clinical Asset

BUSINESS OVERVIEW

In 2021, we continued to make significant progresses with respect to our drug pipeline development, commercialization, and business development, including the following milestones and achievements:

Orelabrutinib Commercialization Achievements and Milestones

宜諾凱® (Orelabrutinib, BTK inhibitor), our first commercialized product, a highly selective, irreversible BTK inhibitor received approval from the NMPA in two indications: (i) the treatment of patients with r/r CLL/SLL; and (ii) the treatment of patients with r/r MCL. During the fiscal year 2021, we successfully launched 宜諾凱® (Orelabrutinib) in January 2021 and achieved RMB241.2 million in gross revenue.



(宜諾凱®, Orelabrutinib, BTK inhibitor)

In December 2021, 宜諾凱® (Orelabrutinib) was included in China's NRDL. We also established a national sales network for 宜諾凱® (Orelabrutinib) with an in-house commercial team of ~250 experienced members. Our sales network rapidly penetrated to 260+ cities, covering 1,000+ leading hospitals and 5,000+ doctors throughout China as of 31 December 2021. We expect that the NRDL inclusion and our strengthened commercialization capabilities will enable us to achieve broadened access to patients and accelerated market penetration in 2022 and beyond.

宜諾凱® (Orelabrutinib) was included in the 2021 CSCO Diagnosis and Treatment Guidelines for Malignant Lymphoma (the "**Guidelines**") and is recommended as a Class I treatment for r/r CLL/SLL and r/r MCL, and as an optional treatment for r/r DLBCL and pCNSL.

Orelabrutinib Business Development

On 13 July 2021, we entered into a License and Collaboration Agreement for Orelabrutinib for the potential treatment of MS with Biogen. Under the terms of the Agreement, Biogen will have exclusive rights to Orelabrutinib in the field of MS worldwide and in certain autoimmune diseases outside of China (including Hong Kong, Macau and Taiwan), while our Company will retain exclusive worldwide rights to Orelabrutnib in the field of oncology and certain autoimmune diseases in China (including Hong Kong, Macau and Taiwan).

On 22 September 2021, we received the upfront payment in the amount of USD125 million from Biogen. In addition, we are eligible to receive up to USD812.5 million in potential development milestones and potential commercial payments should the collaboration achieve certain development, commercial milestones and sales thresholds. We are also eligible to receive a tiered royalties in the low to high teens percentage rate on potential future net sales of any product resulting from the collaboration.

For a detailed overview of the said strategic collaboration with Biogen and detailed mechanism of Orelabrutinib, please see our announcement dated 13 July 2021 published on the website of the Stock Exchange.

Summary and Updates of Orelabrutinib Clinical Trials and Data

Orelabrutinib for Hema-oncology Diseases

As at the date of this report, we have dosed over 500 patients across all of our clinical trials of Orelabrutinib. The clinical data indicate that Orelabrutinib's high target selectivity and exceptional target occupancy rate have resulted in favorable safety and efficacy profiles, especially that no severe adverse events ("**AEs**") (Grade ≥3) of atrial fibrillation case was reported to date.

Orelabrutinib for r/r CLL/SLL

This is an open-label, multicenter, Phase II study to evaluate the safety and efficacy following 150 mg oral daily administration of Orelabrutinib in r/r CLL/SLL patients. A total of 80 patients with r/r CLL/SLL were enrolled. Our latest data were disclosed at the 63rd American Society of Hematology ("**ASH**") Annual Meeting (11-14th December 2021, Atlanta, Georgia, U.S.A.). The median follow-up time was 33.1 months, with 67.5% remaining on treatment. The overall response rate ("**ORR**") was 93.8 % with 26.3% complete response ("**CR**") as assessed by investigator. Median time for achieving first response was 1.84 months. The median duration of response ("**DOR**") and progression-free survival ("**PFS**") were not reached. The estimated 30-month DOR and PFS were 67.2% and 69.7%, respectively by investigator assessment.

Orelabrutinib showed a significant higher CR/CRi rate in r/r CLL/SLL in comparison with other BTK inhibitors at a similar median follow-up period.

Extended follow-up demonstrated that there were no emerging safety concerns. Similar to the previously reported safety results, most AEs were mild to moderate.

Orelabrutinib for r/r 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, OS) evaluations were chosen as secondary endpoints. A total of 106 patients were enrolled with a median follow up time of 23 months.

The efficacy results were evaluated by investigators. According to the protocol analysis, among the 106 patients, 106% ORR and 93.9% disease control rate were achieved. The CR-rate was 34.3% when measured with the conventional computerized tomography ("**CT**") method.

For Orelabrutinib's safety profile in r/r MCL patients, the frequently reported treatment related adverse events ("**TRAEs**") were primarily hematological toxicities including thrombocytopenia, neutropenia, leukopenia, and hypertension. The most frequently reported AEs (Grade ≥3) 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 stage of treatment and appeared less frequently 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 severe bleeding in this study. This is an ongoing study, and we will continue to evaluate Orelabrutinib as a treatment for r/r MCL. Results of prolonged treatment is expected to produce a higher rate in depth of response while maintaining the safety profile.

Orelabrutinib for r/r WM

WM is a B-cell disorder characterized primarily by bone marrow infiltration with lymphoplasmacytic cells, along with immunoglobulin M ("**IgM**") monoclonal gammopathy. BTK plays a key role in signaling pathways for the survival of WM clone, particular in patients harboring MYD88L265P mutations. However, due to target selectivity issue, clinical uses of marketed BTK inhibitors are compromised with off-target activities to many other kinases besides BTK.

This study is aimed to evaluate the efficacy and safety of Orelabrutinib for the treatment of r/r WM patients. The primary endpoint was major response rate ("**MRR**") as assessed by IRC. Key secondary endpoints were MRR as assessed by investigator, ORR, DOMR, PFS, OS, etc. Favorable safety and efficacy results were achieved for this trial:

With a median duration of treatment of 13.67 months, MRR was 78.7% as assessed by investigator. ORR was 87.2%. The estimated 12-month DOMR was 91.3%. The estimated 12-month PFS and OS were 89.3% and 93.6%, respectively. The median PFS and median OS have not been reached.

The most commonly reported adverse events ("**AEs**") were thrombocytopenia, neutropenia, leukopenia, upper respiratory infection. There was no reported Grade 3 or higher atrial fibrillation and/or atrial flutter, or Grade ≥3 diarrhea.

On 14 March 2022, the CDE accepted our supplemental NDA application for Orelabrutinib for the treatment of patients with r/r WM.

Orelabrutinib for r/r MZL

This is a multicenter, open-label study to evaluate the safety and efficacy of ICP-022 in patients with r/r MZL. The primary endpoint of this study is efficacy measured by ORR by the independent review board ("**IRC**") according to the 2014 International Working Group NHL. Secondary endpoints include PFS, OS, DOR and safety, and etc. As of 6 November 2021, a total of 32 sites participated in this study and enrollment was completed.

Currently, the study is ongoing with efficacy and safety follow up.

Orelabrutinib for 1L CLL/SLL

This is a randomized, multicenter, open-label, Phase III study to evaluate the efficacy and safety of Orelabrutinib versus chlorambucil plus rituximab in subjects with previously untreated CLL/SLL. The primary endpoint of this study is progress-free survival ("**PFS**") evaluated by the IRC. The study is currently recruiting in 47 sites in China. As of 28 February 2022, a total of 74 patients were enrolled in this study. The study is ongoing as at the date of this report.

Orelabrutinib for 1L MCL

This is a randomized, open-label, multi-center, Phase III study of Orelabrutinib in combination with rituximab, cyclophosphamide, doxorubicin, vincristine, and prednisone ("**R-CHOP**") vs. R-CHOP in patients with treatment-naive mantle cell lymphoma. The primary endpoint is to evaluate the PFS evaluated by the IRC according to the 2014 International Working Group Criteria for Non-Hodgkin Lymphoma ("**iwNHL**"). As at the date of this report, the study is recruiting patients in 6 active sites in China.

Orelabrutinib for 1L DLBCL – MCD Subtype DLBCL

This is a Phase III, randomized, double-blind, placebo-controlled, multicenter study evaluating the efficacy and safety of Orelabrutinib plus R-CHOP versus placebo plus R-CHOP in treatment-naive patients with MCD subtype DLBCL. The primary endpoint is PFS accessed by IRC. As at the date of this report, the study is at the site start-up stage.

Approximately 40% DLBCL patients will eventually become refractory/relapsed. To that, the heterogeneous genetic aberration background is considered as one of the underlying reasons. Recent research has been more supportive that R-CHOP+X with genetic rationale will probably provide synergy between multiple novel agents. Among the already classified genetic subtypes, MCD is predominantly enriched with B-cell receptor-dependent NF-κB activation which indicates this patient sub-group might respond well to BTK inhibitors. The pre-clinical model has also proved that Orelabrutinib preserves NK-cell-mediated antibody-dependent cell-mediated cytotoxicity ("**ADCC**") induced by anti-CD20 antibody due to less inducible T cell kinase ("**ITK**") inhibition. These findings provide a reasonable basis for us to explore the combination of Orelabrutinib and R-CHOP to improve treatment outcome of MCD subtype DLBCL.

Orelabrutinib and Antibody Combination Therapies

Over the last decade, BTK inhibitor ibrutinib has been validated as an effective treatment against B cell malignancies. Its relatively mild safety profile compared to other chemo – and target- therapeutic agents also makes it a plausible combinatory partner with anti-CD20 antibody treatment to ultimately achieve chemo-free regimens. These efforts have resulted in the U.S. FDA approvals of ibrutinib and rituximab for WM in 2018; ibrutinib and obinutuzumab ("**Gazyva**") for the first line CLL in 2019; and ibrutinib and rituximab for the first line CLL/SLL in 2020.

The scientific rationales of the combination of BTK inhibitor with anti-CD20 antibody would need each agent not only to work through its distinct mechanisms of action and enhance tumor eradication, i.e., for BTK inhibitor to disrupt B-cell receptor ("**BCR**") proliferative and pro-survival signals, and for anti-CD20 antibody to tackle tumors cells through complement-dependent cytotoxicity ("**CDC**"), ADCC, antibody-dependent cellular phagocytosis ("**ADCP**"), and direct apoptosis induction; but also to avoid significant antagonisms of the combo partners. However, the off-target inhibition of ibrutinib on interleukin-2 (IL-2)-inducible T cell kinase ("**ITK**") may lead to reduced ADCC function of rituximab and much-muted efficacy of combination therapies (Mol Ther Oncolytics 21:158-170;2021).

Orelabrutinib, a novel BTK inhibitor, was designed with high selectivity to BTK. A recent study has demonstrated in several B-cell tumor models that Orelabrutinib in combination with rituximab can well preserve or slightly enhance the ADCC function of rituximab and lead to robust in vitro and in vivo tumor-killing efficacy (Mol Ther Oncolytics 21:158-170;2021). Our in-house data have also shown that obinutuzumab (Gazyva), retain fully functional ADCC and ADCP activities when combined with Orelabrutinib. Interestingly, similar observations have been made not only in anti- CD20 antibody combinations but also in anti-CD19 antibody tafasitamab combinations.

Collectively, highly selective BTK inhibitor Orelabrutinib represents a potentially best-in-class combo partner for antibody combination therapies. We believe that Orelabrutinib and anti-CD20/anti-CD19 antibody combinations would benefit patients with B cell lymphoma, especially those with relapsed or refractory diseases.

Orelabrutinib for Autoimmune Diseases

BTK is a member of the TEC family and is expressed in B lymphocytes, mast cells, macrophages, monocytes, and neutrophils. It is a key kinase in the BCR signaling pathway and regulates B cell proliferation, survival, differentiation, and cytokine expression. The abnormal activation of BTK- related signaling pathways can mediate autoimmune diseases. BTK has become a new and popular therapeutic target for autoimmune diseases.

Because of Orelabrutinib's excellent target selectivity and good safety profile, we are also evaluating it as a novel therapy for the treatment of autoimmune diseases.

Orelabrutinib for MS

On 13 July 2021, we entered into a License and Collaboration Agreement for Orelabrutinib for the potential treatment of MS with Biogen. Under the terms of the said agreement, Biogen will have exclusive rights to Orelabrutinib in the field of MS worldwide and certain autoimmune diseases outside of China (including Hong Kong, Macau and Taiwan), while we will retain exclusive worldwide rights to Orelabrutinib in the field of oncology and certain autoimmune diseases in China (including Hong Kong, Macau and Taiwan). We received a US$125 million upfront payment and is eligible to receive up to US$812.5 million in potential development milestones and potential commercial payments should the collaboration achieve certain development, commercial milestones, and sales thresholds. We are also eligible to receive tiered royalties in the low to high teens' percentage on potential future net sales of any product resulting from the collaboration. With the ability to cross the blood brain barrier, Orelabrutinib has the potential to inhibit B cell and myeloid cell effector functions in the central nervous system ("**CNS**"), and may provide a clinically meaningful benefit in all forms of MS.

For a detailed overview of the said strategic collaboration with Biogen Inc., please see our announcement dated 13 July 2021 published on the website of the Stock Exchange.

Current Status

We have initiated a global Phase II trial for MS in the U.S., Europe and China. It is a randomized, double-blind, placebo-controlled Phase II clinical study to evaluate the use of Orelabrutinib in patients with relapsing-remitting multiple sclerosis ("**RRMS**") regarding its efficacy, safety, tolerability, pharmacokinetics and biological activity. Currently, the Phase II patient enrollment is ongoing through global clinical sites within five countries.

Orelabrutinib for SLE

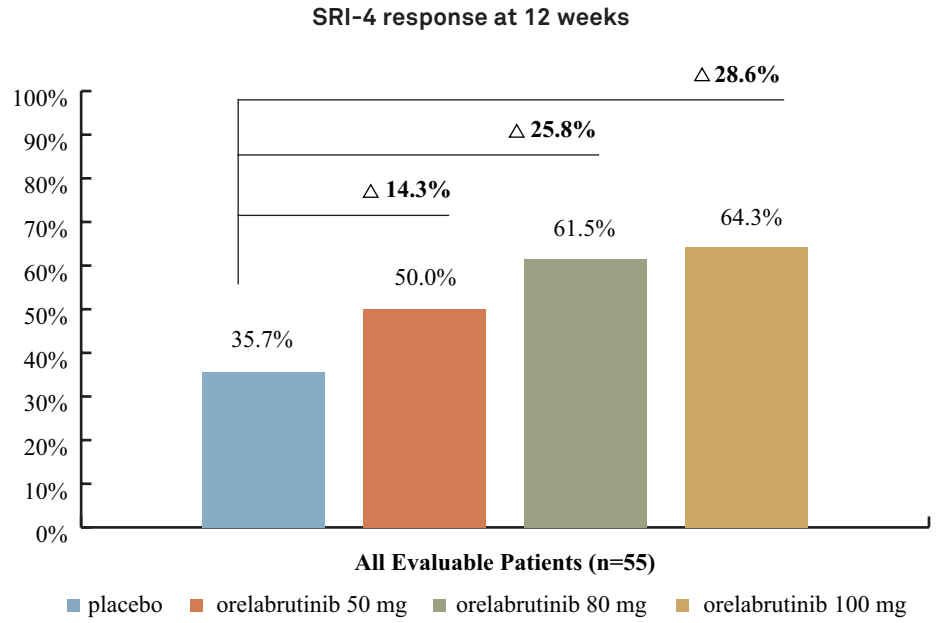
Orelabrutinib inhibits the BCR signaling cascade by binding to BTK, hence preventing the proliferation and activation of B cells in autoimmune diseases. Pre-clinical data demonstrated that Orelabrutinib has dose-dependent effects on the improvement of kidney function, the inhibition of arthritis, and the reduction of inflammation in SLE mouse models.

Current Status

In China, Orelabrutinib Phase II trial for SLE was completed at the end of 2021.

The Phase II trial evaluated the safety and tolerability of Orelabrutinib in patients with mild to moderate SLE. The patients receiving standard therapy were randomized at a ratio of 1:1:1:1 to receive oral Orelabrutinib at 50 mg, 80 mg, 100 mg dosages or placebo once daily, for 12 consecutive weeks.

The Phase II results showed that Orelabrutinib was safe and well tolerated at all doses. A dose- dependent efficacy was observed in all evaluable patients treated with Orelabrutinib. The SLE Responder Index ("**SRI**")-4 response rates at 12-week were 35.7%, 50%, 61.5% and 64.3% in patients treated with placebo, 50 mg/day, 80 mg/day and 100 mg/day of Orelabrutinib, respectively. Treatment with Orelabrutinib led to a reduction in levels of proteinuria, and improvement of immunologic markers, including reduced immunoglobulin G and increased complements C3 and C4.



SLE is a complex and challenging disease for drug development. With regard to the two BTK inhibitors reported clinical results (evobrutinib and fenebrutinib), no significant impact on the disease was observed *(Ringheim, G. E., Wampole, M., & Oberoi, K. (2021) Frontiers in immunology, 12, 662223)*. Orelabrutinib has the potential to become the first BTK inhibitor to control the disease activity in SLE patients. The oral administration advantages are better than the recently approved SLE drugs. Based on the Phase II results, the protocol for further development of Orelabrutinib for SLE is being drafted.

Orelabrutinib for ITP

ITP, also referred to as immune thrombocytopenic purpura, is an acquired immune mediated disorder characterized by a decrease in peripheral blood platelet counts, resulting in an increased risk of bruising and bleeding. The main pathogenesis of ITP is the loss of immune tolerance to platelet auto-antigens. This immune intolerance leads to increased platelet destruction and decreased platelet production from megakaryocytes by autoantibodies and cytotoxic T lymphocytes.

BTK is a key kinase in the B cell receptor signaling pathway, which is essential for the activation of B lymphocytes, macrophages, and other immune cells as well as the production of antibodies in the pathological process of ITP. No BTK inhibitor has been approved for the treatment of patients with ITP in the world. Orelabrutinib, with its high target selectivity with excellent safety profile, has the potential to become a novel treatment option to ITP patients.

Current Status

The IND application for Orelabrutinib for the treatment of ITP was approved by CDE on 10 August 2021. On 22 February 2022, the first patient of the Phase II clinical trial has been dosed in China.

According to publicly disclosed data at ASH 2021 (*Yu T, Wang L, Ni X, et al. Blood (2021) 138 (Supplement 1)*: 3172), Orelabrutinib significantly inhibited the expression of the activation markers CD69 and CD86 of the BCR signaling pathway on B cells, in a vitro study utilizing peripheral blood of ITP patients.

In the active ITP murine models, platelet count was significantly higher in Orelabrutinib treated mice than that of control mice at days 14, 21, 28 after splenocyte transfusion (*Yu T, Wang L, Ni X, et al. Blood (2021) 138 (Supplement 1): 3172*). The proportion of plasma cells and GL-7+ germinal center cells in splenocytes, and the frequency of total B cells in peripheral blood leukocytes were all lower in mice treated with Orelabrutinib than that of the control group (*Yu T, Wang L, Ni X, et al. Blood (2021) 138 (Supplement 1): 3172*).

In summary, Orelabrutinib could effectively suppress the activation and differentiation of B cells in vitro and in vivo, thus alleviate the thrombocytopenia in active ITP murine models.

Orelabrutinib for NMOSD

NMOSD is a chronic inflammatory demyelinating autoimmune disease of the central nervous system mainly involving the optic nerve and spinal cord, which are mediated by antigen-antibodies related to humoral immunity. Clinically, it is characterized by attacks of predominantly optic neuritis and longitudinally extensive transverse myelitis. One latest Chinese epidemiological study based on inpatients shows that the peak age-incidence of the disease is 45-65 years old, the incidence rate is 0.445/100,000 people per year, and the ratio of female to male is 4.71:1.

The etiology and pathogenesis of NMOSD are not completely clear. At present, it is considered to be related to a specific aquaporin 4 antibody ("**AQP4 IgG**") produced by mature B cells, and up to 80% of patients are serologically AQP4 IgG positive. BTK is a key kinase in B cell receptor signal transduction pathway, which is responsible for regulating B cell proliferation, differentiation, maturation and cytokine expression. Abnormal activation of BTK related signaling pathway can lead to autoantibody production and autoimmune diseases. Thus, BTK inhibitors, especially a brain penetrant BTK inhibitor like Orelabrutinib hold high potential to become a novel therapy for NMOSD.

Current Status

In February 2022, we received the IND approval of Orelabrutinib by NMPA for starting NMOSD Phase II clinical trial in China.

ICP-B04 (Tafasitamab)

On 17 August 2021, we entered into a Collaboration and License Agreement with Incyte for the development and commercialization of Tafasitamab, a humanized Fc-modified cytolytic CD-19 targeting monoclonal antibody, in Greater China. Tafasitamab in combination with lenalidomide is approved by the U.S. FDA and European Medicine Agency for the treatment of adult patients with r/r DLBCL not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for autologous stem cell transplant ("**ASCT**"). The accelerated approval in the U.S. is based on the Phase II L-MIND study which showed 57.5% ORR (40% CR) and 33.5 months mOS. The mDoR of 43.9 months indicates a greater and potentially durable benefit. Tafasitamab is currently the first and the only approved second-line treatment in the U.S. for this patient population. With a similar role and more stable expression cross B-NHL, this CD19 antibody has the potential to become another fundamental therapy for B-NHL. In RE-MIND2 trial, a retrospective cohort analysis, Tafasitamab plus lenalidomide demonstrated superior efficacy compared to R2 regimen.

We paid Incyte US$35 million upfront fee during the Reporting Period and Incyte is eligible to receive up to an additional US$82.5 million in potential development, regulatory and commercial milestones, as well as tiered royalties. Under the said Collaboration and License Agreement, we were granted the right to develop and exclusively commercialize Tafasitamab in the field of hematology and oncology in mainland China, Hong Kong, Macau and Taiwan.

The strategic collaboration with Incyte will not only enhance our strength in the field of hematology and oncology, but also offers us a good opportunity to explore the potential clinical benefit of our BTK inhibitor Orelabrutinib in combination with Tafasitamab. Tafasitamab is being investigated as a therapeutic option in B-cell malignancies in a number of ongoing combination trials. In addition, we believe that Tafasitamab, which mediates B-cell lysis through apoptosis and immune effector mechanism including ADCC and ADCP, an innovative and differentiated CD19 antibody, is critical to solidifying our long-term strategy of developing a leading hema-oncology franchise.

For a detailed overview of the said strategic collaboration with Incyte and detailed mechanism of Tafasitamab, please see our announcement dated 17 August 2021 published on the website of the Stock Exchange.

Tafasitamab offers possibility and flexibility in combination with Orelabrutinib and our other assets for the treatment of B-cell malignancy.

In August 2021, we had started discussions with the Health Commission and Medical Product Administration of Hainan Province under the early access program in Boao Lecheng International Medical Tourism Pilot Zone, and we anticipate issuing the first prescription in the first half of 2022. We intend to submit the NDA applications to local regulatory bodies in Hong Kong and Macau in 2022.

The IND application for the bridging study was accepted by CDE in March 2022.

ICP-192 (Gunagratinib)

Gunagratinib is a potent and highly selective pan-FGFR (fibroblast growth factor receptors) inhibitor that we are developing for the treatment of various types of solid tumors. Studies have shown that mutations and aberrant activation of FGFRs are 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 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 several Phase I/II clinical studies in China and the U.S.. In China, in the dose-escalation part of Phase I/II trial, Gunagratinib was demonstrated safe and well-tolerated across all dosage cohorts ranging from 2 to 26mg with no DLT observed. In the dose-escalation trial, anti-tumor activity of Gunagratinib was also observed in head and neck cancer patients carrying FGF/FGFR gene aberrations with an overall response rate ("**ORR**") of 33.3%.

20mg was selected as the appropriate dosage for Phase II trials. In the Phase II trial, 20mg Gunagratinib showed preliminary efficacy in cholangiocarcinoma patients with 60.0% ORR and 100% disease control rate ("**DCR**").

As of 13 January 2022, among the 5 patients who have completed at least one tumor assessment, the overall response rate (ORR) was 60.0%, including 2 patients with confirmed partial response ("**PR**") and 1 patient with unconfirmed partial response ("**uPR**"). The DCR was 100%.

Best of Response-CCA (FAS)

	20mg
N (completed at least one tumor assessment)	5
CR	0
PR	2 (40%)
uPR	1 (20%)
SD	2 (40%)
PD	0
ORR(CR+PR), n (%)	2 (40%)
ORR(CR+PR+uPR), n (%)	3 (60%)
DCR(CR+PR+uPR+SD), n (%)	5 (100%)

We are also progressing Gunagratinib in another Phase II trial for urothelial cancers, which is currently under patient recruitment.

At the beginning of 2022, we initiated a basket trial for solid tumor focusing on head and neck cancer with FGF/FGFR gene aberrations. The patient with esophagus cancer, gastric cancer, breast cancer and other solid tumor with FGF/FGFR gene aberrations will be enrolled as well.

On 17 June 2021, Gunagratinib was granted the Orphan Drug Designation for the treatment of cholangiocarcinoma by the U.S. FDA. In the U.S., we are conducting Phase I/II trial with dose escalation in advanced solid tumors and dose expansion in cholangiocarcinoma and head and neck cancer.

ICP-723

ICP-723 is a second-generation small molecule pan-inhibitor of tropomyosin-related kinase ("**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 inhibitors have shown dramatic responses in patients with TRK gene fusions, however, duration of response was limited due to 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. This finding provides strong evidence that ICP-723 could overcome acquired resistance to the first generation TRK inhibitors.

Mechanism of Action

The TRK family consists of three proteins referred to as TRKA, TRKB and TRKC, respectively, 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

We are currently conducting a Phase I clinical trial in China to assess the safety, tolerability, and Pharmacokinetic ("**PK**") of ICP-723 in advanced solid tumor patients and to evaluate the preliminary anti-tumor activity of ICP-723 in patients with NTRK fusions.

As of 11 February 2022, a total of 17 patients in Phase I dose-escalation trial were treated with ICP-723 at doses of 1 mg QD to 8 mg QD. There is no DLT observed in the 6 dose groups. Most AEs were manageable and Grade 1-2. The plasma exposure of ICP-723 increased in a dose proportional manner across all the dosage cohorts.

Five of 17 patients were considered as NTRK gene fusion positive. Among the 5 patients with NTRK fusion, the overall response rate ("**ORR**") was 80% (4 patients with partial response ("**PR**")), and the disease control rate ("**DCR**") was 100%.

Therefore, ICP-723 is safe and well-tolerated in patients with advanced solid tumors. Encouraging clinical efficacy including intracranial activity was demonstrated in patients with NTRK gene fusion in various tumor types. Enrollment in Phase I is ongoing until the final RP2D is determined, then Phase II trial will be conducted in patients with defined gene alterations.

In the U.S., we obtained the IND approval at the end of August 2021 for the treatment of NTRK fusion positive cancers and intend to start the Phase I clinical trial in the U.S. in 2022.

ICP-332

ICP-332 is a small molecule inhibitor of TYK2 that is developed 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 folds of selectivity against JAK2 to avoid the adverse events associated with non-selective JAK inhibitors. Thus, by selective inhibition of TYK2, ICP-332 may become a potential therapy for multiple autoimmune diseases with better safety profiles.

Current Status

On 18 May 2021, NMPA approved Phase I clinical trial of our ICP-332. We completed the first subject dosing on 16 August 2021 and finished the Phase I clinical trial in the middle of March 2022.

The randomized dose-escalation Phase I study in healthy subjects was conducted to evaluate the safety, tolerability, PK and PD profiles of ICP-332 following a single dose (5 ~ 320 mg) and multiple doses (40 ~ 160 mg QD) escalation for 14 consecutive days under fasted condition. In each cohort, 8 subjects were randomized to receive ICP-332 (6 subjects) or placebo (2 subjects). Food effects on the pharmacokinetics of ICP-322 were tested in the 80 mg cohort.

ICP-332 demonstrated dose proportionality of the PK parameters (Cmax and AUClast) in the range of 5 mg ~ 320 mg. There was no drug accumulation in plasma after repeated dosing. No significant food effect was observed following co-administration with standard high-fat, high-calorie meals. ICP-332 was safe and well tolerated in healthy subjects who received a single dose up to 320 mg or multiple doses up to 160 mg QD for 14 days. The maximum tolerated dose was not reached.

Currently, a Phase II study in patients with autoimmune disease is being planned based on the data of safety, PK/PD, and biomarkers in the Phase I study.

ICP-B02 (CM355)

ICP-B02 is a CD20xCD3 bispecific antibody co-developed with Keymed for the treatment of lymphoma. In preclinical studies, it demonstrated stronger TDCC activities with less cytokine release as compared to its leading competitors.

The development of ICP-B02 is based on our collaboration with Keymed. We established a 50:50 joint venture with Keymed in August 2018 for the discovery, development, and commercialization of biologics. In June 2020, we entered into a license and collaboration agreement, under which Keymed granted us an exclusive license for 50% ownership of CM355 (ICP-B02).

The IND application for ICP-B02 was approved by the CDE on 17 September 2021 and the dosing of the first patient was completed on 17 January 2022.

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 cornerstone therapy in combinations with other anti-tumor 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.

In in-vivo efficacy studies, ICP-189 demonstrated significant anti-tumor effects in various xenograft models. It is possible for ICP-189 to be synergistic with target therapies (KRAS, MEK) as well as IO agent ie. PD-1.

On 19 October 2021, we received IND approval from the NMPA for ICP-189.

On 15 November 2021, the IND clearance of ICP-189 was granted by the FDA for starting clinical trial in the U.S..

ICP-033

ICP-033 is a multi-kinase inhibitor mainly targeting discoid in 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 alone or in combination with immunotherapies and other targeted drugs for liver cancer, renal cell carcinoma, colorectal cancer and other solid tumors.

The IND application for ICP-033 was approved by the CDE in June 2021 and we expect initiating the patient enrollment in 2022.

ICP-488

ICP-488 is a small molecule binder of the pseudo kinase domain JH2 of TYK2. JH2 has an important regulatory role in TYK2 kinase catalytical activity, and mutations in JH2 have been shown to be the 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, IL12, type 1 IFN and other inflammatory cytokine receptors. We intend to develop ICP-488 for the treatment of inflammatory diseases such as psoriasis and inflammatory bowel disease ("**IBD**").

The IND application was approval by CDE on 22 March 2022 and we plan to initiate the Phase I trial in the first half of 2022.

IND-ENABLING STAGE DRUG CANDIDATES

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. In in-vivo efficacy studies, ICP- 490 demonstrated significant anti-tumor effects in various multiple myeloma ("**MM**") xenograft models. By specifically binding to CRL4CRBN-E3 ligase complex, it induces ubiquitination and degradation of transcription factors including Ikaros and Aiolos. It might overcome acquired resistance against earlier generations of CRNB modulators while improving the antiproliferative effects. As a small molecule glue platform, 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-B05 (CM369, newly disclosed)

CM369 is an anti-CC chemokine receptor 8 ("**CCR8**") monoclonal antibody, a potential first-in- class drug co-developed by our Company and Keymed as a monotherapy or in combination with other therapies for the treatment of various cancers.

CCR8 has been shown to be selectively overexpressed on immunosuppressive regulatory T cells ("**Tregs**") in the tumor microenvironment ("**TME**"). CM369 binds to CCR8 on Tregs and eradicates immunosuppressive Tregs through ADCC to augment the anti-tumor immunity in TME while preserving peripheral homeostasis. CM369 has the potential to deliver optimal tumor targeted Treg depletion and be more specific in anti-tumor activity than other immunotherapies and enhance our strength in the field of the solid tumor by synergizing with our existing pipelines.

We plan to file the IND application to the CDE in the second quarter of 2022.

ICP-248

ICP-248 is a novel, orally bioavailable B-cell lymphoma-2 ("**BCL-2**") selective inhibitor. BCL2 is an important part of apoptotic pathway and 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 acute lymphoblastic leukemia ("**ALL**"), acute myeloid leukemia ("**AML**"), follicular lymphoma ("**FL**"), CLL, DLBCL and other hematological malignancies.

We expect to file the IND application for ICP-248 to the CDE in the middle of 2022.

ICP-915

ICP-915 is a highly potent, selective small molecule inhibitor against the G12C mutant form of KRAS. Gain-of-function mutations of KRAS have long been identified as the most prominent oncogenic drivers in about 30% of human cancers, including KRAS G12C mutation in approximately 13% of NSCLCs.

ICP-915 is a covalent KRAS G12C inhibitor, binding to the mutant cysteine resides specifically and irreversibly, thus preventing activation of KRAS. ICP-915 has high cellular potencies and superior PK profiles in various preclinical animal species, which led to its better efficacies in KRAS G12C mutant xenograft models. ICP-915 may be developed as a cornerstone molecule for combinatory treatments of KRAS mutant solid tumors by tackling multiple modules of the RTK-RAS-MAPK signaling pathway combining with our other receptor tyrosine kinase ("**RTK**") inhibitors (ICP-192, ICP-033) or SHP2 inhibitor (ICP-189).

We expect to file the IND application for ICP-915 to the CDE in the second half of 2022 and to combine it with ICP-189 (SHP2) to treat indications in the solid tumor therapeutics.

ICP-B03

ICP-B03 is a tumor-conditional pro-interleukin-15 ("**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 activities 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 ICP-B03 in MC38 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 expect to submit the IND application for ICP-B03 to the CDE in 2023.

The Company cannot guarantee that it will be able to develop, or ultimately market, any of the products in its pipeline successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Manufacturing

We have built our own in-house manufacturing facilities and commercialization capabilities. Our 50,000 m^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.

By the end of December 2021, we accomplished the technology transfer from our contract manufacture organization ("**CMO**") and started the relevant authorities' on-site inspections. Currently, we are proceeding to the adjustment and improvement of the pilot mass production. We anticipate completion of the inspections by relevant regulatory authorities and commence our own commercial production of Orelabrutinib in the first half of 2022.

In addition, we plan to expand our manufacturing facilities to provide sufficient capacity for our growing and maturing drug pipeline and to support our continued business expansions. We have started the construction of the second phase of the facility in Guangzhou site that is designed to house an additional 30,000 m^2 production area.

As of 31 December 2021, we obtained a 70,381 m^2 land in Beijing next to our Company headquarter inside the Life Science Park, on which we intend building a landmark R&D center and large molecule production facility. So far, we have finished the conceptional design and expect the construction to be completed in 2025.

Other Corporate Developments

On 2 February 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 HHLR Fund, L.P. (formerly known as Gaoling Fund L.P.), YHG Investment L.P. and Vivo Opportunity Fund, L.P., have conditionally, on a several but not joint basis, agreed to subscribe for an aggregate of 210,508,000 Shares of the Company, representing approximately 16.33% of the then 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.

The gross proceeds and net proceeds from the issue of the subscription shares were approximately HK$3,041.84 million and HK$3,041.44 million, respectively.

The above-mentioned subscription was completed on 10 February 2021. For details of the said subscription, please refer to the announcements of the Company dated 3 February 2021 and 10 February 2021 available at the website of the Stock Exchange. Up to 31 December 2021, the proceeds of the subscription has been utilized in accordance with its intended use as set out in the relevant announcement of the Company.

In the first half of 2021, Dr. Sean Zhang and Dr. Davy Ouyang joined our Company and as Chief Medical Officer and Biology Vice President, respectively.

On 13 September 2021, our Company announced that among other RMB Share Issue application materials submitted to and accepted by the Shanghai Stock Exchange, the full text of the application proof of the prospectus in relation to the RMB Share Issue ("**RMB Share Prospectus**") and the relevant appendices were published by the Company in Chinese only on the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www. Innocarepharma.com/).

In the second half of 2021, Mr. Nan Gao and Ms. Junsu Wang joined in our Company and as Chief Operation Officer and General Counsel, respectively.

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 global 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, nor on the Group's liquidity positions and working capital sufficiency as far as its operations, any capital commitments, and the fulfilling of its any financial obligations are concerned.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2021, the following significant events took place:

For the long term value and future prospect of the Company's principal business of discovering, developing, and commercializing best-in-class and/or first-in-class drugs for the treatment of oncology and autoimmune diseases for the unmet clinical needs, certain shareholders (including those who are also Directors and/or is a member of the senior management) of the Company have undertaken on a voluntary basis to be subject to lock-up undertakings (the "**Lock-up Undertakings**") made in favour of the Company only, with respect to their direct and indirect interest in the Shares, effective from the date of the announcement dated 8 February 2022. The shares held subject to the lock-up undertakings as at the date of the announcement was 678,495,972, which amounted to approximately 45.24% of the total issued capital of the Company at the relevant time. The last day of the Lock-up Undertakings will be 7 August 2022.

On 16 March 2022, the Group granted 1,820,000 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 31 December 2021 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:

Building A Global Leading Franchise in Hema-Oncology

With Orelabrutinib as a backbone therapy and the support of our abundant pipeline in hematology, such as ICP-248, ICP-490, ICP-B02, Tafasitamab and potential future internal and external pipeline development, we aim to become a leading player in hematology in China and worldwide.

Leveraging the strong uptake of its launch in 2021, we will continue to accelerate the sales of the commercialization of 宜諾凱® (Orelabrutinib) in China subsequent to it inclusion in the NRDL. At this stage, our specialized and experienced sales and marketing team has been expanded to approximately 250 members, which we believe would be sufficient to cover the entire domestic hematology market.

We have initiated a broad clinical program for Orelabrutinib in various B-cell malignancies in China to broaden its indication including: registrational trials of MZL, WM, first-line treatment of CLL/SLL, MCL and MCD subtype DLBCL, and etc.

We are actively propelling the timely approval of Orelabrutinib in the U.S. in r/r MCL and actively pursuing potential combination therapy partners to maximize the value of its superior clinical profile in NHL market ex-China.

Develop Orelabrutinib in MS Through Partnership with Biogen

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. We believe BTK inhibitors have the potential to transform the treatment paradigm of MS. Orelabrutinib, which has demonstrated sustained anti-inflammatory activity, excellent safety profile and a superior Brain Blood Barrier ("**BBB**") penetration capability, has the potential to become best-in-class BTK inhibitor for MS.

We are working closely with Biogen, the absolute leading player in the global MS market, to quickly move forward our Phase II MS global clinical trials on a timely basis and hopefully to establish Orelabrutinib as the best-in-class BTK inhibitor for MS treatment.

Develop Orelabrutinib and Other Potential Candidates for Autoimmune Diseases

Orelabrutinib's favorable safety profile and established B-cell pathway regulation capability enabled us to aggressively pursue its application in treating various auto-immune disease. Based on the positive results from the Phase II SLE clinical trial, we believe Orelabrutinib could potentially become the first-in-class BTK inhibitor in the treatment of SLE and we are actively planning further development scheme. In addition, we have initiated Phase II trials in other autoimmune indications including ITP and NMOSD.

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, for the treatment of various T-cell mediated autoimmune diseases, such as atopic dermatitis ("**AD**"), psoriasis, and IBD. With both Orelabrutinib as a B-cell pathway regulator and ICP-332 and ICP-488 as T-cell pathway regulators in hand, we believe we are well-positioned to provide oral drug solutions for the substantial unmet medical needs in autoimmune diseases.

Build A Competitive Drug Portfolio for Solid Tumor Treatment in China and Worldwide

We believe the potential best-in-class molecules ICP-192 and ICP-723 will enable us to establish a solid initial presence in the field of solid tumor treatment. Our rapidly maturing early-stage pipeline including ICP-033, ICP-189, ICP-915 and ICP-B03 should enable us to provide a competitive treatment solution for a large array of solid tumors for both China and global patients.

Continue To 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 and generate new molecular entities from our proven in-house drug discovery platform.

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 allow us to fully leverage and capitalize our commercial and manufacturing platform, and those have potential synergies with our current pipeline for combination therapies.

Establish In-House Biological Drug R&D Capability Through Internal and External Efforts

With the long-term goal of becoming a world leading biopharma company, we believe it is necessary to build our internal biological drug R&D capability. Collaborative activities surrounding ICP-B02, ICP-B03 ICP-B05 and Tafasitamab have clearly demonstrated our commitment and provided us a great starting point. Building an internal talent team and necessary infrastructure for biological drugs is well underway.

FINANCIAL REVIEW

Revenue

	Year Ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
	(in thousands, except percentages)			
Revenue from continuing operations				
Net sales of Orelabrutinib	**214,666**	**20.6**	–	–
IP transfer and R&D service	**828,367**	**79.4**	1,364	100
Total Revenue	**1,043,033**	**100**	1,364	100

Our revenue increased from RMB1.4 million in 2020 to RMB1,043.0 million in 2021, which was primarily attributable to: (i) the income of RMB827.0 million from the license-out and collaboration revenue with Biogen for Orelabrutinib; and (ii) the increased net sales of Orelabrutinib of RMB214.7 million, deducted by inventory compensation subsequent to the inclusion of Orelabrutinib into the NRDL.

Gross Profit and Gross Profit Margin

	Year Ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
	(in thousands, except percentages)			
Net sales of Orelabrutinib	**191,008**	**19.5**	–	–
IP transfer and R&D service	**786,358**	**80.5**	1,364	100
	977,366	**100**	1,364	100

As a result of the foregoing, our gross profit increased from RMB1.4 million in 2020 to RMB977.4 million in 2021.

Segmental Information

Since the Group's revenue and operating losses were mainly from the activities related to research and development and manufacturing in China, and most of the Group's identifiable operating assets and liabilities are located in China, the Group only has one reportable operating segment.

Other Income and Gains

Our other income and gains decreased from RMB271.3 million for the year ended 31 December 2020 to RMB217.9 million for the year ended 31 December 2021, primarily attributable to (i) RMB51.2 million decrease in foreign exchange gain from RMB108.3 million in 2020 to RMB57.1 million due to the unrealized exchange gains resulting from our overseas company's RMB exchanging to its functional currency, USD; (ii) RMB38.3 million increase in bank interest income from RMB96.8 million in 2020 to RMB135.1 million in 2021; and (iii) RMB48.1 million decrease in recognized government grants from RMB64.4 million to RMB16.3 million.

Research and development costs

Our research and development costs increased from RMB402.8 million for the year ended 31 December 2020 to RMB721.6 million for the year ended 31 December 2021, primarily due to the expansion of our clinical trials and the increase in license-in expense, offset by a decrease in share- based compensation. Such increase in R&D costs resulted from the following:

	Year Ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
License-in and collaborative R&D expenses	**273,026**	**37.8**	9,282	2.3
Direct clinical trial and third-party contracting cost	**167,589**	**23.2**	96,700	24.0
Employee cost	**136,923**	**19.0**	83,713	20.8
Share-based compensation	**39,428**	**5.5**	180,983	44.9
Depreciation and amortisation	**21,837**	**3.0**	6,467	1.6
Others	**82,781**	**11.5**	25,626	6.4
Research and development costs	**721,584**	**100.0**	402,771	100.0

(i) RMB263.7 million increase of license-in and collaborative R&D expenses from RMB9.3 million to RMB273.0 million;

(ii) RMB70.9 million increase of direct clinical trial and third party contracting cost from RMB96.7 million to RMB167.6 million;

(iii) RMB53.2 million increase of R&D employees cost from RMB83.7 million to RMB136.9 million;

(iv) RMB141.6 million decrease of share-based compensation from RMB181.0 million to RMB39.4 million; and

(v) RMB57.2 million increase of other R&D expenses such as trial materials etc., from RMB25.6 million to RMB82.8 million.

Administrative Expenses

Our administrative expenses increased from RMB89.4 million for the year ended 31 December 2020 to RMB139.8 million for the year ended 31 December 2021, primarily attributable to (i) an increase in employee cost of our administrative personnel from RMB31.2 million to RMB47.0 million; (ii) an increase in share-based compensation from RMB9.7 million to RMB43.0 million; (iii) an increase in professional fees from RMB9.7 million to RMB35.6 million; and (iv) one time decrease in listing expense from RMB24.6 million to Nil.

	Year Ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Employee cost	**46,964**	**33.6**	31,227	34.9
Share-based compensation	**43,017**	**30.8**	9,745	10.9
Professional fees	**35,563**	**25.4**	9,661	10.8
Depreciation and amortisation	**3,637**	**2.6**	3,458	3.9
Listing expense	**–**	**–**	24,589	27.5
Others	**10,634**	**7.6**	10,691	12.0
Administrative Expenses	**139,815**	**100.0**	89,371	100.0

Selling and Distribution Expenses

Selling and Distribution expenses increased from RMB68.2 million for the year ended 31 December 2020 to RMB298.5 million for the year ended 31 December 2021, primarily attributable to the commercialization of Orelabrutinib and relevant sales and distribution expenses increased, including (i) an increase in employee cost of our sales and marketing personnel from RMB25.5 million to RMB100.7 million; (ii) an increase in market research and market promotion from RMB16.0 million to RMB126.5 million; and (iii) an increase in share-based compensation from RMB21.6 million to RMB44.0 million

	Year Ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Market research and market promotion	**126,462**	**42.4**	15,964	23.4
Employee cost	**100,712**	**33.7**	25,487	37.4
Share-based compensation	**43,999**	**14.7**	21,550	31.6
Others	**27,290**	**9.2**	5,207	7.6
Selling and Distribution Expenses	**298,463**	**100.0**	68,208	100.0

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares is Nil for the year ended 31 December 2021 comparing to RMB69.2 million for the year ended 31 December 2020, primarily attributable to the preferred shares converting to ordinary shares due to the IPO in March 2020.

Fair value changes of convertible loan

Our fair value changes of convertible loan with Guangzhou Kaide Technology Development Co., Ltd increased from RMB32.4 million for the year ended 31 December 2020 to RMB51.0 million for the year ended 31 December 2021.

Finance Costs

Our finance costs increased from RMB1.1 million in 2020 to RMB2.6 million in 2021, primarily due to the increase of discounted finance fees as requested by IFRS16 as new leases were entered in 2021.

Income tax expense

Our income tax expense rose mainly because of the withholding tax from the income generated from License and Collaboration Agreement.

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 31 December	
	2021	2020
	RMB'000	RMB'000
CURRENT ASSETS		
Trade receivables	**45,273**	152
Prepayments, other receivables and other assets	**116,145**	120,563
Inventories	**9,918**	1,878
Financial assets at fair value through profit or loss	**317,059**	–
Cash and bank balances	**5,928,716**	3,969,640
Total current assets	**6,417,111**	4,092,233
CURRENT LIABILITIES		
Trade payables	**84,602**	5,520
Contract liabilities	**6,831**	–
Other payables and accruals	**204,886**	85,454
Deferred income	**12,647**	6,646
Lease liabilities	**20,336**	6,833
Total current liabilities	**329,302**	104,453
NET CURRENT ASSETS	**6,087,809**	3,987,780

We had net current assets of RMB6,087.8 million as of 31 December 2021, which was primarily attributable to our cash and bank balances of RMB5,928.7 million, prepayments, other receivables and other assets of RMB116.1 million and financial assets at fair value through profit or loss of RMB317.1 million, which was partially offset by other payables and accruals of RMB204.9 million and trade payables of RMB84.6 million.

Trade Receivables

Our trade receivables mainly consist of the receivables by selling Orelabrutinib and providing R&D services mainly related to the Biogen collaboration. An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

Within 3 months

	2021	2020
	RMB'000	RMB'000
Receivables from selling Orelabrutinib	**20,556**	–
Receivables from R&D service	**24,717**	152
	45,273	152

The Group's trade receivables are caused by sales of Orelabrutinib and provision of R&D services mainly related to the Biogen collaboration, 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, extendable to up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintaining 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 trade receivables are immaterial and relate to a wide spread of 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.

Receivables from selling Orelabrutinib and R&D service were all settled as of the date of report.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets decreased from RMB120.6 million as of 31 December 2020 to RMB116.1 million as of 31 December 2021, primarily due to (i) RMB30.3 million decrease in deductible input VAT from RMB47.7 million as of 31 December 2020 to RMB17.4 million as of 31 December 2021; (ii) RMB15.2 million increase in interest receivable from RMB26.2 as of 31 December 2020 to RMB41.4 million as of 31 December 2021; (iii) RMB5.0 million decrease in prepayments from RMB42.5 million as of 31 December 2020 to RMB37.5 million as of 31 December 2021; and (iv) RMB16.3 million increase in other assets from Nil as of 31 December 2020 to RMB16.3 million as of 31 December 2021.

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Interest receivable	**41,363**	26,236
Prepayments	**37,532**	42,461
Value-added tax recoverable	**17,362**	47,723
Other assets	**16,340**	–
Other receivables	**3,548**	4,143
	116,145	120,563

Financial assets at fair value through profit or loss

As of 31 December 2021, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB621.8 million (31 December 2020: Nil), mainly comprised investments in wealth management products of approximately RMB621.8 million in aggregate (31 December 2020: Nil), which mainly represented approximately RMB317.1 million in short-term and approximately RMB304.7 million in long-term non-principal guaranteed wealth management products with a floating interest.

Details of financial assets are set out as below:

Financial Assets		Principal amount (RMB)	Realised gain (RMB)	Unrealised gain (RMB)	Balance as at 31 December 2021 (RMB)	Percentage to the Group's total assets as at 31 December 2021 %
Current						
Investments in wealth management products						
1.	CMB Wealth Management Zhaorui High Yield A No.29 Close ended Fixed Income Wealth Management Plan	240,000,000	–	1,848,000	241,848,000	3.27
2.	Monthly Dividend (Balanced) No.1 Fixed Income Wealth Management Plan of CMB Wealth Management	50,000,000	–	183,239	50,183,239	0.68
3.	China Merchants Bank Ririxin Wealth Management Plan	50,000,000	33,401	–	–	–
4.	China Merchants Bank Ririxin Wealth Management Plan	50,000,000	36,227	–	–	–
5.	China Merchants Bank Ririxin Wealth Management Plan	10,000,000	–	24,166	10,024,166	0.14
6.	China Merchants Bank Ririxin Wealth Management Plan	15,000,000	–	3,266	15,003,266	0.19
Subtotal		415,000,000	69,628	2,058,671	317,058,671	4.28
Non-current						
Investments in wealth management products						
1.	Two-Year Fixed Income Wealth Management Plan No. 001 of Zhaorui Qingkui Series under CMB Wealth Management	300,000,000	–	4,674,760	304,674,760	4.12
Subtotal		300,000,000	–	4,674,760	304,674,760	4.12
Total		715,000,000	69,628	6,733,431	621,733,431	8.40

The Group's strategies for the Financial Assets

For the strategies of the Group concerning the investments in the relevant wealth management products, please refer to the announcement of the Company dated 30 March 2022.

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:

	2021	2020
	RMB'000	RMB'000
Within 3 months	**81,697**	3,987
3 to 6 months	**1,505**	382
6 to 12 months	**1,257**	1,086
Over 12 months	**143**	65
	84,602	5,520

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 RMB85.5 million as of 31 December 2020 to RMB204.9 million as of 31 December 2021, primarily due to (i) an increase in payable for property, plant and equipment from RMB30.7 million as of 31 December 2020 to RMB47.0 million as of 31 December 2021; (ii) an increase in payroll payables from RMB26.3 million as of 31 December 2020 to RMB41.4 million as of 31 December 2021; and (iii) an increase in sales rebate from Nil as of 31 December 2020 to RMB33.1 million as of 31 December 2021; (iv) an increase in payable for investments in joint ventures from Nil as of 31 December 2020 to RMB20.0 million as of 31 December 2021, arising from the unpaid additional capital injection into the joint venture; (v) an increase in individual income tax and other taxes from RMB1.4 million as of 31 December 2020 to RMB37.4 million as of 31 December 2021.

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Payable for property, plant and equipment	**46,956**	30,746
Payroll payables	**41,406**	26,305
Individual income tax and other taxes	**37,360**	1,401
Sales rebate	**33,070**	–
Accruals	**23,024**	23,902
Payable for investments in joint ventures	**20,000**	–
Others	**3,070**	3,100
Other Payables and Accruals	**204,886**	85,454

Indebtedness and finance lease

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

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Included in current liabilities		
Lease liabilities	**20,336**	6,833
Included in non-current liabilities		
Convertible loan	**1,200,564**	1,149,550
Long term payables	**37,693**	–
Lease liabilities	**47,442**	17,165
Total indebtedness	**1,306,035**	1,173,548

Our total indebtedness increased from RMB1,173.5 million as of 31 December 2020 to RMB1,306.0 million as of 31 December 2021, mainly due to the increase of lease liabilities, convertible loan and other borrowings.

Deferred income

Our total deferred income, classified in current-liabilities and non-current liabilities, increased from RMB106.6 million as of 31 December 2020 to RMB136.3 million as of 31 December 2021, mainly due to newly granted government subsidy to Guangzhou InnoCare.

The Property, Plant and Equipment

The property, plant and equipment increased from RMB306.4 million as of 31 December 2020 to RMB430.1 million as of 31 December 2021, which was mainly caused by increase of Guangzhou InnoCare buildings, plant and machinery.

Guangzhou InnoCare is located at 18 Kangzhao San Road, Huangpu, Guangzhou, China, with a land site and gross floor area of approximately 83,000 m^2 and 65,000 m^2, 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 RMB165 million, which will be paid out of the Group's working capital.

Right-of-use of assets

The right of use assets increased from RMB96.7 million as of 31 December 2020 to RMB136.0 million as of 31 December 2021, which was mainly caused by an increase in lease-in real estates.

Investments in joint ventures

Our investments in joint ventures increased from RMB1.2 million as of 31 December 2020 to RMB21.4 million as of 31 December 2021, mainly because of additional capital injection into the joint venture.

Other Non-Current Assets

Other Non-current assets increased from RMB1.0 million as of 31 December 2020 to RMB51.0 million, mainly due to RMB32.0 million increase of prepayment for leasehold land and other increase in prepayment for property, plant and equipment, and database system.

Key Financial Ratios

The following table sets forth our selected key financial ratio:

	As of	
	31 December 2021	31 December 2020
Current ratio	**19.5**	39.2

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

The decrease in current ratio was primarily due to the increase of other payables from RMB85.5 million as of 31 December 2020 to RMB204.9 million as of 31 December 2021, and an increase in trade payables and from RMB5.5 million as of 31 December 2020 to RMB84.6 million as of 31 December 2021, partially offset by an increase in cash and bank balances from RMB3,969.6 million as of 31 December 2020 to RMB5,928.7 million as of 31 December 2021, and an increase in financial assets at fair value through profit or loss of RMB317.1 million.

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 23 March 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 U.S. as of 23 March 2020.

On 15 April 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 10 February 2021, pursuant to two subscription agreements entered 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 per subscription share. For further details, please refer to the announcements of the Company dated 3 February 2021 and 10 February 2021, respectively.

As of 31 December 2021, our cash and bank and wealth management products balances were RMB6,550.5 million, as compared to RMB3,969.6 million as of 31 December 2020. The increase was mainly due to the funds we received from our financing activities and operating revenue. Our primary uses of cash are to fund research and development efforts of new drug candidates, sales promotion, 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

Subscription of Wealth Management Products

Between 8 October 2021 and 29 December 2021, the Company, through its subsidiaries, subscribed for certain wealth management products issued by China Merchants Bank Co., Ltd. and administered by CMB Wealth Management Company Limited, for an aggregate principal amount of RMB715 million. The relevant wealth management products are non-principal guaranteed with floating return, and with moderately low risk. As of 31 December 2021, the subscriptions generated (i) an investment income of RMB70,000; and (ii) a fair value gain of RMB6,733,000 measured at fair value through the Company's profit/loss account. As at the date of this report, the aggregated outstanding principal amount of the Group's Wealth Management Products was RMB590 million. For details, please refer to the announcement of the Company dated 30 March 2022.

Saved as disclosed above, as at 31 December 2021, 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 (includes loans and borrowings and convertible loan) divided by total assets and multiplied by 100%) as of 31 December 2021 was 17% (31 December 2020: 24%).

The Board and the Audit Committee constantly monitor current and expected 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 31 December 2021, except for RMB1,200.1 million of the convertible loan with Guangzhou Kaide Technology Development Co., Ltd. and long-term payable of RMB37.7 million, we did not have any other 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

As of 31 December 2021, 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 receivables, and 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 arise.

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 31 December 2021.

EMPLOYEES AND REMUNERATION

As of 31 December 2021, the Group had a total of 721 employees. The following table sets forth the total number of employees by function:

	As of/for the year ended 31 December	
	2021	2020
Function		
Research and development	**257**	190
Manufacturing	**151**	81
Selling and marketing	**247**	139
General and administrative	**71**	42
Total Employees	**721**	452

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.

DIRECTORS

Executive Directors

Dr. Jisong Cui, Ph.D., aged 59, has been a Director since 3 November 2015 and our Chief Executive Officer since 18 August 2016. Dr. Cui was re-designated as an Executive Director and was appointed as the Chairperson of the Board on 27 September 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 is also the chairperson of the Nomination Committee and a member of the Compensation Committee.

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(r) 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 53, has been a Director since 3 November 2015. Dr. Zhao was re-designated as an Executive Director focusing on biology and clinical development strategy on 27 September 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 54, has been a Director since 28 November 2018. Dr. Shi was re-designated as a Non-executive Director and was appointed as the president of our Scientific Advisory Board on 3 November 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 47, has been a Director since 31 July 2019. Mr. Yuan was re-designated as a Non-executive Director on 27 September 2019 and resigned as a Non-executive Director with effect on 31 March 2022.

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 54, has been a Director since 5 February 2018. Mr. Fu was re-designated as a Non-executive Director on 27 September 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 37, has been serving as a Non-executive Director since 31 March 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 28 November 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 19 August 2020, and has been serving as a non-executive director of CARsgen Therapeutics Holdings Limited (a company whose shares are listed on the Stock Exchange, stock code:02171) since 18 September 2020.

Mr. Ming Jin (金明), aged 48, currently serves as a partner in Beijing Hangkang Venture Capital Management Co. Ltd. (北京漢康創業投資管理有限公司), has been appointed as a Non-executive Director with effect from 31 March 2022. Mr. Jin has 20 years of experience in the pharmaceutical industry and biotechnology industry and 7 years of investment experience. From August 2000 to June 2004, he worked at Shanghai Sunway Biotech Co., Ltd.. From July 2004 to April 2012, he worked at Tianjin Greenbio Material Co., Ltd.. From May 2012 to June 2017, Mr. Jin worked at Hangzhou Converd Co., Ltd. (杭州康萬達醫藥科技有限公司). He has been an investment director of Hankang Capital since 2017 and was promoted to managing director and partner thereof in 2018 and 2020, respectively.

Mr. Jin obtained a bachelor's degree in biological science from Zhejiang University, the People's Republic of China in 1997 and a master's degree in genetics from the Academy of Military Medical Sciences (軍事醫學科學院), the People's Republic of China in 2000, respectively.

Independent Non-executive Directors

Dr. Zemin Zhang, Ph.D., aged 54, has been serving as an independent Director since 6 March 2016. Dr. Zhang was re-designated as an Independent Non-executive Director of the Company effective as of 27 September 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. Dr. Zhang is also a member of each of the Audit Committee, the Compensation Committee and the Nomination Committee.

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 50, was appointed as an Independent Non-executive Director of the Company on 11 March 2020. Ms. Hu is also the chairperson of each of the Audit Committee and Compensation Committee.

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), and has been serving as an independent non-executive director in CANbridge Pharmaceuticals Inc., a company whose shares are listed on the Stock Exchange (stock code:1228). 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 76, was appointed as an Independent Non-executive Director of the Company on 11 March 2020. Dr. Chen is also a member of each of the Audit Committee and the Nomination Committee.

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 59, 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 60, has been appointed as the new Chief Medical Officer of the Company since 1 March 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 50, 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 50, 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 55, 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.

Mr. Nan Gao (高楠), aged 49, is our Chief Operation Officer. Mr. Gao is primarily responsible for Guangzhou site operation, building Beijing new facilities to support the Company's rapid growth, and leading cooperates operations including procurement, supply chain and IT to achieve operational excellence. Mr. Gao has more than 25 years of manufacturing, supply chain, and operation management experience in the pharmaceutical and biochemical industry. From 2002 to 2021, Mr. Gao was responsible for the supply chain and operation management at Baxter International as the Vice President Operation APAC and multi-site manufacturing Director. Prior to that, he oversaw the project and packing engineering at Procter & Gamble.

Mr. Gao received his Bachelor's degree in Mechanical & Electric from Zhejiang University in 1996 and obtained his EMBA degree from China Europe International Business School (CEIBS) in 2008.

Ms. Junsu Wang (王俊蘇), aged 46, is our General Counsel. Ms. Wang is responsible for the Company's overall legal, compliance and ethics matters and serves as a strategic business partner enabling the Company's long-term sustainable growth.

Ms. Wang joined the Company from GE Healthcare where she most recently served as the Greater China Chief Compliance Officer. Before that, she was the Associate General Counsel for GE Healthcare China. Prior to GE, Ms. Wang worked for several other multinational companies including Volkswagen, Leroy Merlin and Rohm & Haas.

Ms. Wang received her Bachelor of Law degree from Fudan University in 1998, MBA from University of the Sunshine Coast in 2002 and her LLM degree from Louisiana State University in 2003.

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.

Leveraging our management team's global vision and local expertise, we have built a differentiated and balanced drug portfolio, and launched the first product in the market. 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.

There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2021. Please refer to note 1 to the Consolidated Financial Statements on page 112 for details of the principal activities of the principal subsidiaries of the Group.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated financial statements of the Group on pages 106 to 107 of this report.

FINAL DIVIDEND

No dividend has been declared and paid by the Group for the year ended 31 December 2021.

SHARE CAPITAL

Details of the issued shares of the Company during the year ended 31 December 2021 are set out in note 32 to the Consolidated Financial Statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2021 are set out in the Consolidated Statement of Changes in Equity on page 109 of this report.

FINANCIAL SUMMARY

The Company's Shares were listed on the Hong Kong Stock Exchange on 23 March 2020. A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements, is set out on page 17 of this report.

BANK LOANS AND OTHER BORROWINGS

As of 31 December 2021, except for RMB1,200.1 million of the convertible loan with Guangzhou Kaide Technology Development Co., Ltd. and long-term payable of RMB37.7 million, we did not have any other 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. For further details, please refer to note 30 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 31 December 2021 are set out in note 14 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 Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of over-allotment option of approximately HK$2,415.67 million. Up to 31 December 2021, HKD686.8 million, or 28% of the net proceeds have been utilized as specified in the below table. The Company intends to use the remaining net proceeds in the manner consistent with that mentioned in the section head "Future Plans and Use of Proceeds" in the Prospectus. The remaining proceeds will be used in the following two years. The completion time of using such proceeds will be determined based on the Company's actual business needs and future business development.

	Use of proceeds as stated in the Prospectus (in HKD'000) (approximate)	Net proceeds unutilized as of 31 December 2020 (in HKD'000) (approximate)	**Actual use of proceeds during 2021 (in HKD'000) (approximate)**	**Net proceeds unutilized as of 31 December 2021 (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**	1,007,505	**154,391**	**853,114**	**The actual amount is 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**	583,760.5	**20,122**	**563,638.5**	**The amount is expected to be fully utilized by the second half of 2023**
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	**362,350.5**	308,572.5	**60,157**	**248,415.5**	**The amount is expected to be fully utilized by the second half of 2023**
10% for working capital and general corporate purposes	**241,567**	170,414	**106,748**	**63,666**	**The amount is expected to be fully utilized by the second half of 2023**
	2,415,670	2,070,252	**341,418**	**1,728,834**	

On 2 February 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 HHLR Fund, L.P. (formerly known as Gaoling Fund L.P.), YHG Investment L.P. and Vivo Opportunity Fund, L.P., have conditionally, on a several but not joint basis, agreed to subscribe for an aggregate of 210,508,000 Shares of the Company, representing approximately 16.33% of the then 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. The aggregate nominal value of the subscription shares under the subscription was US$421.02. The net price of each subscription share based on the net proceeds of approximately HK$3,041.44 million and 210,508,000 subscription shares was estimated to be approximately HK$14.45. The closing price as quoted on the Stock Exchange on 2 February 2021 was HK$15.72 per Share.

The gross proceeds and net proceeds from the issued subscription shares were approximately HK$3,041.84 million and HK$3,041.44 million, respectively. The above-mentioned subscription was completed on 10 February 2021. The use of these proceeds will be in line with the planned use according to the intentions previously disclosed by the Company and it is expected there will be no significant change or delay.

The table below sets out the planned applications of the proceeds and actual usage up to 31 December 2021:

	Proceeds from the subscription (in HK$'000) (approximate)	Actual use of proceeds up to 31 December 2021 (in HK$'000) (approximate)	Net proceeds unutilized as of 31 December 2021 (in HK$'000) (approximate)	Expected timeline for usage of proceeds
Business objectives as stated in the announcement of the Company dated 3 February 2021	**3,041,440**	**608,378**	**2,433,062**	**Expected to be fully utilized in three years since the date of this report, and subject to, among other things, change of market conditions.**

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on Tuesday, 21 June 2022. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules and the Articles of Association.

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 Thursday, 16 June 2022 to Tuesday, 21 June 2022, 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 Wednesday, 15 June 2022.

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 "Events After the End of the Reporting Period" in 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 a month 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 a month 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;
- our ability to obtain and maintain patent protection for our drug candidates; and
- COVID-19 pandemic still raging and world order crisis unresolved;

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 global 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, nor on the Group's liquidity positions and working capital sufficiency as far as its operations, any capital commitments, and the fulfilling of its any financial obligations are concerned.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2021, the following significant events took place:

For the long term value and future prospect of the Company's principal business of discovering, developing, and commercializing best-in-class and/or first-in-class drugs for the treatment of oncology and autoimmune diseases for the unmet clinical needs, certain shareholders (including those who are also Directors and/or is a member of the senior management) of the Company have undertaken on a voluntary basis to be subject to lock-up undertakings (the "Lock-up Undertakings") made in favour of the Company only, with respect to their direct and indirect interest in the Shares, effective from the date of the announcement dated 8 February 2022. The shares held subject to the lock-up undertakings as at the date of the announcement was 678,495,972, which amounted to approximately 45.24% of the total issued capital of the Company at the relevant time. The last day of the Lock-up Undertakings will be 7 August 2022.

On 16 March 2022, the Group granted 1,820,000 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 in this report, no other important events affecting the Company occurred after 31 December 2021 and up to the date of this report.

DIRECTORS

The Directors during the year ended 31 December 2021 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 (resigned on 31 March 2022)
Mr. Shan Fu
Mr. Lijun Lin (resigned on 31 March 2021)
Mr. Ronggang Xie (appointed with effect from 31 March 2021)
Mr. Ming Jin (appointed on 31 March 2022)

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 54 to 61 of this report. Save as disclosed in this report and during the Reporting Period, 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 31 December 2021 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 31 December 2021, 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, beneficial owner	105,172,916[2]	7.01%
Dr. Renbin Zhao	Interest in controlled corporation, beneficial owner	147,617,893[3]	9.84%
Dr. Yigong Shi	Immediate family of a beneficial owner	147,617,893[4]	9.84%
Mr. Quanhong Yuan (Resigned on 31 March 2022)	Interest in controlled corporation, immediate family of a beneficial owner	11,839,417[5]	0.78%
Mr. Lijun Lin (Resigned on 31 March 2021)	Interest in controlled corporation	83,577,447[6]	5.57%
Dr. Zemin Zhang	Beneficial owner	10,311,111[7]	0.69%

Notes:

(1) The calculation is based on the total number of 1,499,673,235 Shares issued as at 31 December 2021.

(2) Includes (1) 84,326,827 Shares indirectly held by Dr. Jisong Cui through Sunland BioMed Ltd as beneficial owner and (2) 20,846,089 Shares held by Dr. Jisong Cui and Premier Trust, Inc. as trustees of The Jisong Cui 2019 Irrevocable Trust, of which Dr. Jisong Cui's immediate family members are the beneficences.

(3) Includes (1) 99,360,375 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) 20,479,218 Shares held by Dr. Renbin Zhao and Premier Trust, Inc. as trustees of Grandview Irrevocable Trust, of which Dr. Renbin Zhao's immediate family members are the beneficiaries.

(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) Includes (1) 7,631,000 Shares held by Hangkang Biotech Fund I, L.P. of which entity Hankang Healthcare LLC is the general partner, which is in turned wholly owned by Mr. Quanhong Yuan, and (2) deemed interests of 4,208,417 Shares directly held by Ms. ZHANG Meichai, Mr. Quanhong Yuan's spouse, pursuant to Part XV of the SFO.

(6) Includes a total of 83,577,447 Shares directly and collectively held by LVC Entities, which are ultimately controlled by Mr. Lijun Lin, through the trustee of the Lin Family Trust, which is Mr. Lijun Lin's family trust. For the purpose of the SFO, Mr. Lijun Lin is deemed to be interested in all of the 83,577,447 Shares directly and collectively held by LVC Holdings Limited.

(7) Includes (1) 6,977,778 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 31 December 2021, 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 31 December 2021, 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	101,253,846[2]	6.75%
GIC Private Limited	Interest in controlled corporation	97,614,645[3]	6.51%
Vivo Capital LLC	Interest in controlled corporation	123,028,118[4]	8.20%
LVC Entities	Interest in controlled corporation	83,577,447[5]	5.57%
Mr. Hebert Pang Kee Chan	Interest in controlled corporation	161,444,332[6]	10.76%
HHLR Advisors, Ltd.	Interest in controlled corporation	195,539,000[7]	13.04%

Notes:

(1) The calculation is based on the total number of 1,499,673,235 Shares issued as at 31 December 2021.

(2) Golden Autumn Group Limited held 50,387,805 Shares and Strausberg Group Limited held 50,866,041 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 pursuant to the Pre-IPO Incentivisation Plans (as defined below). 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 50,387,805, 50,866,041 and 101,253,846 Shares, respectively.

(3) Highbury Investment Pte Ltd directly held 42,559,355 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 9,567,806 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 97,614,645 Shares which Highbury Investment Pte Ltd has an interest in.

(4) Vivo Capital LLC is the management company of (i) Vivo Opportunity Co-Invest, L.P., (ii) Vivo Capital Fund IX, L.P., (iii) Vivo Opportunity Fund, L.P., (iv) Vivo Capital Surplus Fund VIII, L.P., and (v) Vivo Capital Fund VIII, L.P., (collectively, the "Vivo Entities"), each of which held 2,699,286, 1,891,627, 24,673,087, 11,376,779, and 82,387,339 Shares, respectively. As such, under the SFO, Vivo Capital LLC (through its interest in the controlled corporations, i.e. the Vivo Entities) is deemed to be interested in 123,028,118 Shares collectively held by the Vivo Entities.

(5) The LVC Entities directly and collectively held 83,577,447 Shares. For the purpose of the SFO, (i) Prosperous Wealth Global Limited is deemed to have an interest in 28,522,157 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 GP Ltd is deemed to have an interest in 28,522,157 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;,(iv) as the general partner of LVC Lion Fund Limited, LVC Holdings Limited is deemed to have an interest in 83,577,447 Shares (through their interest in a controlled corporation), and (v) as the general partner of LVC Lion Fund LP, LVC Lion Fund Limited is deemed to have an interest in 9,567,806 Shares. 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, who resigned as a non-executive Director on 31 March 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 118,969,447 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.

(7) HHLR Advisors, Ltd. (formerly known as Hillhouse Capital Advisors, Ltd.) is the investment manager and general partner of HHLR Fund, L.P. (formerly known as Gaoling Fund, L.P.) and YHG Investment, L.P., (collectively "**Hillhouse Entities**"). As such, under the SFO, HHLR Advisors, Ltd. (through its interest in the controlled corporations, i.e. the Hillhouse Entities) is deemed to be interested in the Shares collectively held by the Hillhouse Entities. As at 31 December 2021, (i) HHLR Advisors, Ltd. through its interest in the controlled corporation, held 195,539,000 Shares pursuant to a notice of disclosure of interests dated 17 August 2021 and (ii) HHLR Fund, L.P. held 199,475,300 Shares pursuant to a notice of disclosure of interests dated 29 October 2021.

Save as disclosed above, as at 31 December 2021, 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 31 December 2021 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 31 December 2021 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 and 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 31 December 2021, none of the related parties' transactions as disclosed in Note 37 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 31 December 2021, 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 31 December 2021 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 during the year ended 31 December 2021.

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 31 December 2021, we had approximately 721 employees (as at 31 December 2020: approximately 452 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 9 to the Consolidated Financial Statements. No amount was paid to any Director or any of the five highest paid individual disclosed in note 10 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 6 September 2016. The 2016 Pre-IPO Incentivisation Plan was subsequently amended by resolutions in writing by the Board and Shareholders passed on 5 February 2018. The 2018 Pre-IPO Incentivisation Plan was adopted and approved by resolutions in writing by the Board and the Shareholders on 28 November 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 22 April 2020, being the completion date of the exercise of the Over-allotment Option described in the Prospectus. As at 31 December 2021, an aggregate of 222,332,907 Shares have been issued to directors, senior management and employees of the Group or their affiliates pursuant to share awards already vested, and 94,377,180 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 31 December 2021, the aggregate number of underlying Shares pursuant to the outstanding RSUs granted under the Pre-IPO Incentivisation Plans is 52,253,607 Shares in aggregate, representing approximately 3.48% of the total issued share capital of the Company as at 31 December 2021. As at 31 December 2021, 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 34 to the Consolidated Financial Statements of this report.

POST-IPO RSU SCHEME

The Company has adopted the Post-IPO RSU Scheme by resolutions passed by the Board of the Company on 6 July 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 6 July 2020, available at the website of the Hong Kong Stock Exchange.

Since the adoption of the Post- IPO RSU Scheme, and up to 31 December 2021, 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 during the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 25.0% and 47.2% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 79.3% and 96.7%, respectively. The Group's largest customer was Biogen, which is an independent third party 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 31 December 2021.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group has donated RMB1.0 million for the disaster recovery of Henan Province.

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 31 December 2021 to the date of this report, save for the deviation from code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) 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 31 December 2021 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 and Executive Director

PRC, 23 March 2022

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 31 December 2021 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 has been renumbered as code provision C.2.1 since 1 January 2022) 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 page 82 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.

Mr. Yuan, a former non-executive Director of the Company, filed a notice of disclosure of interest (the "**DI Notice**") dated 22 February 2022 in relation to an increase of his deemed interests in the Company by 4,208,417 Shares, and the date of relevant event giving rise to the filing of the DI Notice was 8 February 2022. Following an enquiry from the Company, Mr. Yuan confirmed that the dealings as set out in the DI Notice did not take place during the relevant black-out period applicable to the Company's 2021 interim results from 28 July 2021 to 27 August 2021 and the relevant black-out period applicable to the Company's 2021 annual result from 24 January 2022 to 25 March 2022 (and subsequently revised to from 22 January 2022 to 23 March 2022). On 18 March 2022, Mr. Yuan filed (i) a revised DI Notice to supersede the DI Notice and (ii) 11 other DI Notices (collectively, the "**DI Notices**")), concerning various dealings in aggregate (the "**Dealings**"). According to the DI Notices, the Dealings took place between 10 June 2021 and 22 July 2021. The Board did not receive any prior notification from Mr. Yuan in connection with Rule B.8 of the Model Code, with regard to any of the Dealings. Accordingly, no relevant clearance was given by the Board to any of the Dealings.

The Board is of the view that the guidelines and procedures for the director's dealings of shares in the Company are adequate and effective. Nevertheless, the Company acknowledges that it is crucial for Directors to take the personal initiative to ask for approval from the Company in order for the Company to properly keep track of Directors' dealings. In order to avoid similar incidents in the future, the Company shall further enhance its internal control with the implementation of the following measures:

1. The Company has reminded on a number of occasions in the past and will continue to remind all the Directors at the Directors' meeting of the Company held on 23 March 2022 the importance of complying with the Model Code with respect to the their dealings in Shares. In particular, the Company will emphasize to the Directors that per Rule A.6 of the Model Code, the restrictions on dealings by a director contained in the Model Code will be regarded as equally applicable to any dealings by the director's spouse or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the Securities and Futures Ordinance he is or is to be treated as interested;

2. The Company has recirculated the Model Code to all the Directors and relevant employees of the Company, highlighting the full definition of "dealing" and the type of persons dealings by whom are subject to the restrictions in the Model Code, and the written notification and acknowledgment requirements;

3. The Company has been and will continue to provide to every newly joined Director a set of detailed training materials (the "**Training Materials**") and a relevant training session on the Listing Rules, which covers, among others, the requirements and prohibitions on Directors' dealings under the Model Code. The Company shall specifically include in the Training Materials an individual section on Directors' dealings, which shall expressly focus in conveying to the Directors, among other things, the implications under Rule A.6 of the Model Code; and

4. The Company will update its notice of blackout period to the Directors and relevant employees to expressly set out the definition of "dealing" in shares of the Company and the scope of applicability of the Model Code and will continue to circulate the Blackout Notice to the Directors and relevant employees prior to the commencement of the blackout period for the annual, and interim results of the Company.

Specific enquiries have been made to all the Directors, saved as disclosed above, all the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2021. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the year ended 31 December 2021.

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. Shan Fu
Mr. Lijun Lin (resigned on 31 March 2021)
Mr. Quanhong Yuan (resigned on 31 March 2022)
Mr. Rongang Xie (appointed with effect from 31 March 2021)
Mr. Ming Jin (appointed on 31 March 2022)

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 54 to 59 of this report.

Save as disclosed in the Prospectus and 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 (which has been renumbered as code provision C.5.1 since 1January 2022) 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 (which has been renumbered as code provision C.2.7 since 1 January 2022) requires that the chairperson should at least annually hold meetings with independent non-executive Directors without the presence of other directors. The Chairperson held one meeting with the independent non-executive Directors during the year ended 31 December 2021 without the presence of the 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 31 December 2021 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 Director is approved by Shareholders at annual general meeting of the Company. 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 shall disclose to the Company 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 31 December 2021, 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 as provided by the Directors during the year ended 31 December 2021 and up to the date of this report are summarized as follows:

Directors	Participated in continuous professional development [Note 1]
Executive Directors	
Dr. Jisong Cui *(Chairperson and Chief Executive Officer)*	✓
Dr. Renbin Zhao	✓
Non-executive Directors	
Dr. Yigong Shi	✓
Mr. Quanhong Yuan (resigned on 31 March 2022)	✓
Mr. Shan Fu	✓
Mr. Lijun Lin (resigned on 31 March 2021)	✓
Mr. Ronggang Xie (appointed with effect from 31 March 2021)	✓
Mr. Ming Jin (appointed on 31 March 2022)[Note 2]	✓
Independent Non-executive Directors	
Dr. Zemin Zhang	✓
Ms. Lan Hu	✓
Dr. Kaixian Chen	✓

Notes:

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

2. Mr. Ming Jin received the relevant director onboarding training on 30 March 2022.

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 10 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:

	2021 Number of Individual(s)	2020 Number of Individual(s)
Annual Remuneration		
HK$7,000,001 to HK$7,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**1**	–
HK$10,500,001 to HK$11,000,000	**1**	–
HK$11,000,001 to HK$11,500,000	**–**	1
HK$17,000,001 to HK$17,500,000	**1**	–
HK$21,500,001 to HK$22,000,000	**–**	1
HK$36,500,001 to HK$37,000,000	**1**	–
	4	3

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended 31 December 2021 are set out in note 9 and note 10, respectively, to the Consolidated Financial Statements in this report.

Details of the remuneration for the five highest paid employees of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**12,873**	8,194
Performance related bonuses	**4,941**	2,372
Pension scheme contributions	**253**	94
Share-based payments	**72,670**	157,914
Fees	**33**	780
	90,770	169,354

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 37 years old to 76 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.

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 (which has been renumbered as code provision A.2.1 since 1 January 2022).

For the year ended 31 December 2021 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	Extraordinary General Meeting
Executive Directors						
Dr.Jisong Cui (Chairperson and Chief Executive Officer)	4/4	–	1/1	1/1	1/1	1/1
Dr. Renbin Zhao	4/4	–	–	–	1/1	1/1
Non-executive Directors						
Dr. Yigong Shi	4/4	–	–	–	1/1	1/1
Mr. Quanhong Yuan (resigned on 31 March 2022)	4/4	–	–	–	1/1	1/1
Mr. Shan Fu	4/4	–	–	–	1/1	1/1
Mr. Ronggang Xie (appointed with effect from 31 March 2021)	2/4	–	–	–	1/1	1/1
Mr. Lijun Lin (resigned on 31 March 2021)	2/4	–	–	–	1/1	–
Mr. Ming Jin (appointed on 31 March 2022)	–	–	–	–	–	–
Independent Non-executive Directors						
Dr. Zemin Zhang	4/4	2/2	1/1	1/1	1/1	1/1
Ms. Lan Hu	4/4	2/2	1/1	–	1/1	1/1
Dr. Kaixian Chen	4/4	2/2	–	1/1	1/1	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

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 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.

During the Reporting Period, the Company has regularly reviewed and enhanced its Risk Management system. 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 always safeguard the Shareholder's investment. 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 several 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 31 December 2021.

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 100 to 105.

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 31 December 2021 is set out below:

	Fees Paid/Payable
Service Category	RMB' 000
Audit services	3,080
Services in connection with the A-share listing of the Company's shares	6,450
Total	9,530

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 9 February 2021. Mr. Keith Shing Cheung Wong was appointed as the company secretary of the Company to replace Ms. Yeung on 9 February 2021 and resigned on 23 March 2022. Ms. Lee Angel Pui Shan Lee was appointed on 23 March 2022 to serve as the company secretary. Prior to June 2021, Mr. Chao Lu was the primary contact person of the company secretary of the Company. Started from July 2021, Ms. Lu Xia, the Investor Relations Director of the Company, is the primary contact person of the company secretary of the Company.

For the year ended 31 December 2021, Mr. Keith Shing Cheung Wong 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 also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The Company endeavours to maintain an ongoing 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 Tuesday, 21 June 2022. 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 proactive approach to investor relations has widened and expanded the coverage of the Company by global funds in and outside Hong Kong and Mainland China in 2021. A number of local and international sell-side firms and brokers published research reports on the Company, often on a regular basis, and the Company attracts attention of a wide range of institutional investors.

The Company's management and investor relations function take great efforts to maintain an open dialogue with the investment community to ensure a thorough understanding of the Company's business development, core strategies and corporate governance principles. In 2021, the Company participated in investor conferences, roadshows, healthcare summits on virtual basis and in-person. Nearly 700 meetings were held with institutional investors and research analysts in Hong Kong and internationally.

To promote effective communication, the Company has established a two-way relationship and communication between the Company and the shareholders and maintaining such relationship and communication on the websites of the Stock Exchange at www.hkexnews.hk, of the Company at www.innocarepharma.com and official WeChat company account, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information is available for public access.

The Company's existing Articles of Association were adopted on 8 October 2019 and were effective on the Listing Date. The Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

At the Company's 2021 extraordinary general meeting held on 21 June 2021, the shareholders passed a special resolution in relation to the amendments to the Articles of Association. The adoption of the amended and restated Articles of Association will take effect from the date of listing of the RMB Shares on the STAR Market. For further details of the said amendments to the Articles of Association, please refer to the Company's circular dated 3 June 2021.

DIVIDEND POLICY

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
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 106 to 192, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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

Risk of misstatement of research and development expenses

During the year ended 31 December 2021, the Group recognised research and development ("R&D") expenses of approximately RMB721,584,000, of which a large portion of the 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").

R&D is the Group's major activity and the R&D activity 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 disclosures about research and development costs are included in note 2.4 and note 7 to the financial statements.

How our audit addressed the key audit matter

We obtained an understanding of, 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 the Outsourced Service Providers and performing background search on a sampling basis, 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, inspected the supporting documents and performed analytical review to observe the trend and identify whether there are any unusual expenses.

We also reviewed prepayments recorded at the reporting date and evaluated the appropriateness of the accrual amount of R&D expenses by comparing the subsequent milestone billings received with the accrued R&D expenses at the year end.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sales of goods, license out and research and development services	
During the year ended 31 December 2021, RMB1,043,033,000 was derived from revenue from contracts with customers, mainly from sales of goods, license out and research and development services. The Group recognises revenue when controls of goods and services have been transferred to customers according to the contract terms, including the timing and amount of revenue recognition. The revenue recognition involves significant judgements and estimates made by management. Therefore, we identified the revenue recognition of sales of goods, license out and research and development services as a key audit matter. The Group's disclosures about revenue recognition are included in note 2.4 and note 6 to the financial statements.	We obtained an understanding of, evaluated the design and tested the operating effectiveness of controls over the revenue recognition of sales of goods, license out and research and development services. We reviewed the key terms set out in the agreements and deliveries during the year to documentation to assess whether the revenue recognition criteria were met for control of goods or services 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 on a sampling basis, assessed management's estimation of the variable consideration amount included in the total consideration, sent confirmations to confirm the transaction and balance on a sampling basis and performed analytical review to observe the sales trend and identify whether there are any unusual sales. For license out and research and development services, we also performed review on management's identification of performance obligations and allocation of transaction price, evaluated the competence, capabilities and objectivity of management's specialist, evaluated the valuation techniques and methodologies applied with the assistance of our internal valuation specialists and assessed the accuracy of the cost incurred and the total budget cost to evaluate the progress of the research and development services.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of convertible loan	
A subsidiary of the Company has borrowed a convertible loan from a third party. In accordance with HKFRS 9, it is accounted for as a financial liability at fair value through profit or loss. As of 31 December 2021, the fair value of convertible loan was RMB1,200,564,000. The determination of the fair value of the financial liability at fair value through profit or loss involves significant estimates made by management. Therefore, we identify the fair value measurement of the financial liability at the reporting date as a key audit matter. The Group's disclosures about the convertible loan is included in note 2.4, note 30 and note 39 to the financial statements.	Our audit procedures included, among others, reviewing the key terms set out in the investment agreement, the loan agreement and the articles of association of the subsidiary, evaluating the competence, capabilities and objectivity of management's specialist, evaluating the valuation techniques and methodologies applied with the assistance of our internal valuation specialists. We also assessed the adequacy of the Group's disclosures of the fair value measurement of the financial liability at fair value through profit or loss.

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
23 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
REVENUE	6	**1,043,033**	1,364
Cost of sales		**(65,667)**	–
Gross profit		**977,366**	1,364
Other income and gains	6	**217,938**	271,304
Selling and distribution expenses		**(298,463)**	(68,208)
Research and development costs		**(721,584)**	(402,771)
Administrative expenses		**(139,815)**	(89,371)
Other expenses		**(1,271)**	(1,489)
Fair value changes of convertible redeemable preferred shares	29	**–**	(69,181)
Fair value changes of convertible loan	30	**(51,014)**	(32,374)
Impairment losses on financial assets		**(32)**	–
Share of losses of joint ventures		**(604)**	–
Finance costs	8	**(2,642)**	(1,139)
LOSS BEFORE TAX		**(20,121)**	(391,865)
Income tax expense	11	**(46,558)**	–
LOSS FOR THE YEAR		**(66,679)**	(391,865)
Attributable to:			
Owners of the parent		**(64,545)**	(391,395)
Non-controlling interests		**(2,134)**	(470)
		(66,679)	(391,865)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	13	**(RMB0.05)**	(RMB0.40)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000 (Restated)
LOSS FOR THE YEAR	**(66,679)**	(391,865)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(89,453)**	(324,100)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(89,453)**	(324,100)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(156,132)**	(715,965)
Attributable to:		
Owners of the parent	**(153,998)**	(715,495)
Non-controlling interests	**(2,134)**	(470)
	(156,132)	(715,965)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**430,081**	306,398
Right-of-use assets	15	**135,999**	96,733
Goodwill	16	**3,125**	3,125
Other intangible assets	17	**34,166**	37,017
Investments in joint ventures	18	**21,423**	1,159
Financial assets at fair value through profit or loss	23	**304,675**	–
Other non-current assets	19	**50,951**	1,045
Total non-current assets		**980,420**	445,477
CURRENT ASSETS			
Inventories	20	**9,918**	1,878
Trade receivables	21	**45,273**	152
Prepayments, other receivables and other assets	22	**116,145**	120,563
Financial assets at fair value through profit or loss	23	**317,059**	–
Cash and bank balances	24	**5,928,716**	3,969,640
Total current assets		**6,417,111**	4,092,233
CURRENT LIABILITIES			
Trade payables	25	**84,602**	5,520
Contract liabilities	26	**6,831**	–
Other payables and accruals	27	**204,886**	85,454
Deferred income	28	**12,647**	6,646
Lease liabilities	15	**20,336**	6,833
Total current liabilities		**329,302**	104,453
NET CURRENT ASSETS		**6,087,809**	3,987,780
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,068,229**	4,433,257
NON-CURRENT LIABILITIES			
Convertible loan	30	**1,200,564**	1,149,550
Lease liabilities	15	**47,442**	17,165
Long term payables		**37,693**	–
Deferred income	28	**123,611**	100,000
Deferred tax liabilities	31	**–**	6,036
Total non-current liabilities		**1,409,310**	1,272,751
Net assets		**5,658,919**	3,160,506
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**19**	16
Reserves	33	**5,604,540**	3,103,996
		5,604,559	3,104,012
Non-controlling interests		**54,360**	56,494
Total equity		**5,658,919**	3,160,506

	Attributable to owners of the parent									
	Share capital RMB'000 (note 32)	Share premium RMB'000 (note 32)	Other reserve RMB'000 (note 33(a))	Share-based payment reserve RMB'000 (note 34)	Asset revaluation reserve RMB'000	Foreign exchange reserve RMB'000 (note 33(b)) (Restated)	Accumulated losses RMB'000 (Restated)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021										
As previously reported	16	6,743,236	(19,292)	234,183	(6,036)	(303,907)	(3,544,188)	3,104,012	56,494	3,160,506
Prior year adjustment	–	–	–	–	–	(72,398)	72,398	–	–	–
as restated	16	6,743,236	(19,292)	234,183	(6,036)	(376,305)	(3,471,790)	3,104,012	56,494	3,160,506
Loss for the year	–	–	–	–	–	–	(64,545)	(64,545)	(2,134)	(66,679)
Exchange differences on translation of foreign operations	–	–	–	–	–	(89,453)	–	(89,453)	–	(89,453)
Total comprehensive loss for the year	–	–	–	–	–	(89,453)	(64,545)	(153,998)	(2,134)	(156,132)
Issue of shares (note 32)	3	2,526,672	–	–	–	–	–	2,526,675	–	2,526,675
Share-based payments (note 32)	–	–	–	126,444	–	–	–	126,444	–	126,444
Exercise of RSUs	–	101,818	–	(100,392)	–	–	–	1,426	–	1,426
At 31 December 2021	19	9,371,726	(19,292)	260,235	(6,036)	(465,758)	(3,536,335)	5,604,559	54,360	5,658,919

These reserve accounts comprise the consolidated reserves of RMB5,604,540,000 (2020: RMB3,103,996,000) in the consolidated statement of financial position.

	Attributable to owners of the parent									
	Share capital RMB'000 (note 32)	Share premium RMB'000 (note 32)	Other reserve RMB'000 (note 33(a))	Share-based payment reserve RMB'000 (note 34)	Asset revaluation reserve RMB'000	Foreign exchange reserve RMB'000 (note 33(b)) (Restated)	Accumulated losses RMB'000 (Restated)	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	–	–	–	–	–	–	(391,395)	(391,395)	(470)	(391,865)
Exchange differences on translation of foreign operations	–	–	–	–	–	(324,100)	–	(324,100)	–	(324,100)
Total comprehensive loss for the year	–	–	–	–	–	(324,100)	(391,395)	(715,495)	(470)	(715,965)
Shares issued upon initial public offering ("IPO") (note 32)	4	2,048,394	–	–	–	–	–	2,048,398	–	2,048,398
Shares issued upon the over-allotment option (note 32)	1	307,456	–	–	–	–	–	307,457	–	307,457
Automatic conversion of convertible redeemable preferred shares ("preferred shares") upon IPO (notes 29 and 32)	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 (Restated)	16	6,743,236	(19,292)	234,183	(6,036)	(376,305)	(3,471,790)	3,104,012	56,494	3,160,506

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(20,121)**	(391,865)
Adjustments for:			
Impairment losses on financial assets		**32**	–
Finance costs and foreign exchange gains		**(41,496)**	1,139
Interest income	6	**(135,135)**	(96,809)
Other interest income from financial assets at fair value through profit or loss		**(6,733)**	(1,766)
Share of profits and losses of joint venture		**534**	–
Fair value changes of a convertible loan	30	**51,014**	32,374
Fair value changes of convertible redeemable preferred shares	29	**–**	69,181
Covid-19-related rent concessions from lessors		**–**	(150)
Depreciation of property, plant and equipment	14	**10,438**	2,068
Depreciation of right-of-use assets	15	**17,752**	9,119
Amortisation of other intangible assets	17	**4,292**	265
Loss on disposal of property, plant and equipment		**2**	–
Share-based payment expenses		**126,444**	215,621
		7,023	(160,823)
Increase in inventories		**(8,040)**	(1,878)
Increase in trade receivables		**(45,153)**	(115)
Increase in prepayments, other receivables and other assets		**(120)**	(36,422)
Decrease in other non-current assets		**–**	1,579
Increase/(decrease) in trade payables		**79,082**	(2,677)
Increase in other payables and accruals		**76,565**	34,356
Increase/(decrease) in deferred income		**17,191**	(51,389)
Cash from/(used in) operations		**126,548**	(217,369)
Interest received		**40,510**	44,850
Net cash flows from/(used in) operating activities		**167,058**	(172,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income in time deposits with original maturity of more than three months when acquired and wealth management products		**79,568**	33,343
Purchases of investments		**(715,000)**	(135,000)
Purchases of items of property, plant and equipment		**(165,628)**	(250,995)
Purchases of other intangible assets	17	**(1,441)**	(271)
Proceeds upon maturity of investments and time deposits with original maturity of more than three months when acquired		**2,611,467**	217,114
Investments in joint venture		**(868)**	–
Proceeds from disposal of items of property, plant and equipment		**19**	–
Increase in other non-current assets		**(4,142)**	–
Increase in time deposits		**(3,533,940)**	(971,139)
Net cash flows used in investing activities		**(1,729,965)**	(1,106,948)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of RSUs		**784**	125,311
Proceeds from issue of shares	32	**2,526,675**	2,230,544
Share issue expenses		**(15,207)**	(102,729)
Repayment of loans from a related party		**–**	(9,024)
Proceeds from other loans		**50,000**	–
Finance expense paid, including interest on lease liabilities		**(2,529)**	(1,139)
Principal portion of lease payments		**(14,916)**	(4,992)
Net cash flows from financing activities		**2,544,807**	2,237,971
Net increase in cash and cash equivalents		**981,900**	958,504
Cash and cash equivalents at beginning of year		**2,300,881**	1,594,153
Effect of foreign exchange rate changes, net		**(45,297)**	(251,776)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**3,237,484**	2,300,881
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	24	**5,928,716**	3,969,640
Time deposits with original maturity of more than three months when acquired	24	**(2,691,009)**	(1,668,759)
Restricted cash		**(223)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	24	**3,237,484**	2,300,881

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 research and development of biological products. Orelabrutinib, a drug developed by the Company, was sold commercially in China in January 2021, and other pipelines are at different pre-clinical and clinical research and development stages respectively. 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	RMB49,225,100	–	91.08%	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 wholly-foreign-owned enterprises under PRC law.

(b) Registered as limited liability enterprises 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 2021. 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) 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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9-Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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 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 resulting from a downstream transaction 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 *Classification of Liabilities as Current or Non-current* 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.

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

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.

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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:

Buildings	5%
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.

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

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.

Debt investments at fair value through other comprehensive income and 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 and contract assets 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 financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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 29 and 30, respectively, to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue

The Group enters into a license and collaboration agreement for research, development, manufacturing and commercialisation services with one customer. The terms of these arrangements typically include: non-refundable upfront fees, milestone payments for development and regulatory application and royalties on net sales of licensed products. Milestone payment is a form of variable consideration which is included in the transaction price to the extent that it is highly probable that a significant reversal of accumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The contracts generally do not include a significant financing component.

As part of the accounting for this arrangement, the Group must use significant judgement to determine: (a) the performance obligations; and (b) the method to estimate variable consideration.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct.

The Group uses judgement to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied. If a milestone or other variable consideration relates specifically to the Group's efforts to satisfy a single performance obligation or to a specific outcome from satisfying the performance obligation, the Group generally allocates that milestone amount entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised goods or services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria.

- The counterparty simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the counterparty controls as the asset is created or enhanced;
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

The portion of the transaction price that is allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services is transferred to the counterparty. If the performance obligation is satisfied over time, the portion of the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group adopts an appropriate method of measuring progress for the purpose of recognising revenue. The Group evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Upfront fees

Upfront payment is allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices.

Milestone payments

At the inception of each arrangement that includes milestone payments, the Group evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant reversal of cumulative revenue would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The Group evaluates factors such as the clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment. There is considerable judgement involved in determining whether it is probable that a significant reversal of cumulative revenue would not occur. At the end of each subsequent reporting period, the Group re-evaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. The milestone payments were allocated to the performance obligations based on the Group's best estimate of their relative stand-alone selling prices, unless the criteria under HKFRS 15.85 are met where the milestone payments are allocated entirely to the performance obligations to which the milestone payments are specifically related.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) License and collaboration revenue (continued)

Licenses of intellectual property

In assessing whether a license is distinct from the other promises, the Group considers factors such as the research, development, manufacturing and commercialisation capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, the Group considers whether the counterparty can benefit from a license for its intended purpose without the receipt of the remaining promise(s) by considering whether the value of the license is dependent on the unsatisfied promise(s), whether there are other vendors that could provide the remaining promise(s), and whether it is separately identifiable from the remaining promise(s). The Group evaluates the nature of a promise to grant a license in order to determine whether the promise is satisfied over time or at a point in time. The Group has evaluated that the licenses are separate performance obligations which represent a right to use the Group's license as it exists at the point in time that the license is granted. Revenue from licenses is recognised when the control of the right to use of the license is transferred to the customer.

Research and development services

In assessing whether the research and development services is a promised service in the arrangement, the Group has concluded that the services are capable of being distinct from the intellectual property licenses and distinct within the context of the contract based on a careful evaluation of the specific facts and circumstances. The performance obligation is satisfied over time as services are rendered. Revenue from research and development services is recognised on straight-line basis over the period when the research and development services are provided.

(b) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 RSUs 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 exchange rates that approximate to those prevailing at the dates of the transactions.

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.

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the performance obligations and the method to estimate variable consideration of revenue from contracts with customers:

(i) Determining the performance obligations of the contract

The Group identifies the performance obligations within the agreement and evaluates which performance obligations are distinct, which requires the use of judgement.

The Group has determined that both the license and research and development services are each capable of being distinct. In assessing whether an item has standalone value, the Group considers factors such as the research, manufacturing, and commercialisation capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace, which indicates that the customer can benefit from both license and service on their own. The Group also determined that the promises to transfer the license and to provide research and development services are distinct within the context of the contract. The license is separately identifiable in the contract and will be granted at contract inception. The license is not an input that will be integrated with the service which represents a combined output. The preparation and attendance of the various steering committees is to assist in conducting clinical trials and obtaining regulatory approval of the technology, but does not modify the technology itself. In addition, the license and research and development services are not highly interdependent or highly interrelated, because the delivery of the license is not dependent on the service to be provided in the future, accordingly, it is not interdependent or interrelated with the service. Consequently, the Group has allocated a portion of the transaction price to license and research and development services based on relative standalone selling prices.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

(ii) Determining the timing of satisfaction of research and development services

The Group concluded that revenue from research and development services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the research and development that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the research and development services because there is a direct relationship between the Group's effort (i.e., cost incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the cost expended relative to the total budget cost to complete the services.

(iii) Determining the method to estimate variable consideration and assessing the constraint for research and development services

Certain contract includes milestone payments that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group has determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the milestone payments as this method better predicts the amount of variable consideration to which the Group will be entitled.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group evaluates factors such as the clinical, regulatory, commercial, and other risks that must be overcome to achieve the particular milestone in making this assessment.

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 2021 was RMB3,125,000 (31 December 2020: RMB3,125,000). Further details are included in note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by product type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the life science sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

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 38 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 23 and 38 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 29 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 30 and 38 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 and manufacturing in China, and most of the Group's identifiable operating assets and liabilities are located in China, the Group only has one reportable operating segment.

Geographical information

(a) Revenue from external customers

	2021 RMB'000	2020 RMB'000
– Mainland China	**216,066**	1,364
– Overseas	**826,967**	–
	1,043,033	1,364

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
– Mainland China	**672,641**	444,142
– Overseas	**1,016**	1,335
	673,657	445,477

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial instruments.

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:

	2021 RMB'000	2020 RMB'000
Customer A	**826,967**	–
Customer B	**–**	427
Customer C	**–**	133
	826,967	560

5. PRIOR YEAR ADJUSTMENT

The management has identified the following errors in the previously issued consolidated financial statements.

The convertible redeemable preferred shares were automatically converted into ordinary shares on 23 March 2020. As a result, the ending balance of the convertible redeemable preferred shares as of 23 March 2020 were reclassified into share capital and share premium of the Company. The Company's reporting currency is different from its functional currency, and the differences between the balance of convertible redeemable preferred shares as of 31 December 2019 and 23 March 2020 should include both the fair value changes of convertible redeemable preferred shares and exchange differences on translation of foreign operations during the period in between. Due to a human error, the total differences, including the exchange difference on translation of foreign operations of RMB72,398,000, were incorrectly recorded in fair value changes of convertible redeemable preferred shares, resulting in an overstatement of fair value changes of convertible redeemable preferred shares of RMB72,398,000 and understatement of the exchange differences on translation of foreign operations of the same amount.

Consequently, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year ended 31 December 2020 and certain explanatory notes have been restated to reflect these corrections. There were reclassifications between accumulated losses and foreign exchange reserve with no impact to the consolidated statement of financial position as of 31 December 2020, as they form an integral part of the reserves in the consolidated statements of financial position of the Group.

Impact to the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2020 is set out below:

	The Group as previously reported RMB'000	Prior year adjustment RMB'000	The Group as restated RMB'000
Fair value changes of convertible redeemable preferred shares	(141,579)	72,398	(69,181)
Exchange differences on translation of foreign operations	(251,702)	(72,398)	(324,100)
Loss for the year	(464,263)	72,398	(391,865)
Loss for the year attributable to owners of the parent	(463,793)	72,398	(391,395)
Loss per share attributable to ordinary equity holders of the parent – Basic and diluted	(RMB0.48)	RMB0.08	(RMB0.40)

5. PRIOR YEAR ADJUSTMENT (continued)

Impact to the consolidated statement of cash flows for the year ended 31 December 2020 is set out below:

	The Group as previously reported RMB'000	Prior year adjustment RMB'000	The Group as restated RMB'000
Loss before tax	(464,263)	72,398	(391,865)
Fair value changes of convertible redeemable preferred shares	(141,579)	72,398	(69,181)

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**1,043,033**	1,364

(a) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers		
– License out	**775,963**	–
– Sales of goods	**214,666**	–
– Research and development services	**51,003**	–
– Other services	**1,401**	1,364
	1,043,033	1,364
Geographical markets		
– Mainland China	**216,066**	1,364
– Overseas	**826,967**	–
	1,043,033	1,364
Timing of revenue recognition from contracts with customers		
– At a point in time	**992,030**	–
– Over time	**51,003**	1,364
	1,043,033	1,364

6. REVENUE, OTHER INCOME AND GAINS (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

License out and research and development services

The performance obligation is satisfied at a point in time or over time as output generated from upon completion of transfer of know-how or the research and development activities is supplied to the customer, and payment is generally due within 60 days from the date of billing.

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from the date of billing.

Other services

The performance obligation is satisfied upon delivery of the testing service reports and payment is generally due within 90 days from delivery.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	RMB'000	RMB'000
Within one year	**6,831**	–

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2021	2020
	RMB'000	RMB'000
Other income		
Government grants (note)	**16,257**	64,439
Bank interest income	**135,135**	96,809
Compensation income	**2,608**	–
Investment income from investments in wealth management products	**70**	1,766
	154,070	163,014
Gains		
Fair value changes of financial assets at fair value through profit or loss	**6,733**	–
Foreign exchange gains, net	**57,135**	108,290
	217,938	271,304

Note: Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities and the purchase of certain items of property, plant and equipment.

7. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000 (Restated)
Depreciation of property, plant and equipment	14	**10,438**	2,068
Depreciation of right-of-use assets		**17,752**	9,119
Amortisation of other intangible assets	17	**4,292**	265
Auditor's remuneration		**3,080**	2,180
Listing expense		**–**	23,285
Research and development costs, excluding share-based payment expenses		**682,156**	221,788
Fair value changes of a convertible loan	30	**51,014**	32,374
Fair value changes of convertible redeemable preferred shares	29	**–**	69,181
Fair value gain on financial assets at fair value through profit or loss		**6,733**	–
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Wages and salaries		**232,263**	108,993
Pension scheme contributions		**38,974**	11,284
Staff welfare expenses		**6,354**	2,085
Share-based payment expenses		**100,135**	86,624
		377,726	208,986

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**2,560**	908
Interest on loans	**82**	231
	2,642	1,139

9. 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:

	2021 RMB'000	2020 RMB'000
Fees	**753**	1,380
Other emoluments:		
Salaries, allowances and benefits in kind	**4,475**	2,480
Performance related bonuses	**2,304**	1,179
Pension scheme contributions	**90**	39
Share-based payment expenses	**24,562**	130,889
	32,184	135,967

Certain directors were granted 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 34 to the financial statements. The fair values of such 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:

	2021 RMB'000	2020 RMB'000
Zemin Zhang	**–**	–
Kaixian Chen	**360**	300
Lan Hu	**360**	300
	720	600

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

(a) Independent non-executive directors (continued)

The allowances and benefits in kind paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Zemin Zhang	–	–
Kaixian Chen	–	–
Lan Hu	6	–
	6	–

The share-based payment expense on independent non-executive directors during the year was as follows:

	2021 RMB'000	2020 RMB'000
Zemin Zhang	5	83
Kaixian Chen	–	–
Lan Hu	–	–
	5	83

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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

(b) Executive directors and non-executive directors' remuneration

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total remuneration RMB'000
2021						
Executive directors:						
Jisong Cui *(chief executive)*	33	3,143	1,680	–	24,557*	29,413
Renbin Zhao	–	1,326	624	90	–	2,040
	33	4,469	2,304	90	24,557	31,453
Non-executive directors:						
Yigong Shi	–	–	–	–	–	–
Quanhong Yuan	–	–	–	–	–	–
Shan Fu	–	–	–	–	–	–
Lijun Lin	–	–	–	–	–	–
	33	4,469	2,304	90	24,557	31,453

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total remuneration RMB'000
2020						
Executive directors:						
Jisong Cui *(chief executive)* *	780	1,419	932	–	116,417*	119,548
Renbin Zhao	–	1,061	247	39	14,389	15,736
	780	2,480	1,179	39	130,806	135,284
Non-executive directors:						
Yigong Shi	–	–	–	–	–	–
Quanhong Yuan	–	–	–	–	–	
Shan Fu	–	–	–	–	–	–
Lijun Lin	–	–	–	–	–	–
	780	2,480	1,179	39	130,806	135,284

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 (2020: Nil).

* The share-based cost related to one-time RSUs granted in January 2020 and is recognized over the period in which the service conditions are fulfilled.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2020: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**9,730**	5,714
Performance related bonuses	**3,261**	1,193
Pension scheme contributions	**253**	55
Share-based payments	**48,113**	27,108
	61,357	34,070

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	
	2021	2020
HK$7,000,001 to HK$7,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**1**	–
HK$10,500,001 to HK$11,000,000	**1**	–
HK$11,000,001 to HK$11,500,000	**–**	1
HK$17,000,001 to HK$17,500,000	**1**	–
HK$21,500,001 to HK$22,000,000	**–**	1
HK$36,500,001 to HK$37,000,000	**1**	–
	4	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 34 to the financial statements. The fair values of such granted 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.

11. 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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

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 of 15% is available to entities recognised as High and New Technology Enterprises. Beijing InnoCare was recognised as High and New Technology Enterprise and are entitled to a preferential tax rate of 15% (2020: 15%). Nanjing InnoCare was recognised as High and New Technology Enterprise and its status is up for renewal in 2021 which is in progress (2020:15%).

Australia

The subsidiary incorporated in Australia is subject to income tax at the rate of 27.5% (2020: 27.5%) on the estimated assessable profits arising in Australia during the year.

11. INCOME TAX (continued)

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% (2020: 21%). It is also subject to the state income tax in Delaware at a rate of 8.7% (2020: 8.7%) during the year.

	2021 RMB'000	2020 RMB'000
Current income tax expense	**52,593**	–
Deferred income tax expense	**(6,035)**	–
	46,558	–

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
Loss before tax	**(20,121)**	(391,865)
Tax at the statutory tax rate of 25%	**(5,030)**	(97,966)
Effect of tax rate differences in other jurisdictions	**22,370**	38,720
Preferential tax rates applicable to certain subsidiaries	**(23,565)**	24,972
Additional deductible allowance for qualified research and development costs	**(56,802)**	(27,348)
Income not subject to tax	**(82,003)**	–
Tax losses not recognised	**134,184**	60,517
Expenses not deductible for tax	**4,720**	1,105
Losses attributable to joint ventures	**91**	–
Withholding tax from license and collaboration revenue	**52,593**	–
Tax charge at the Group's effective rate	**46,558**	–

The Group has tax losses arising in Mainland China of RMB1,177,329,000 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.

12. DIVIDEND

No dividends have been declared and paid by the Company for the year ended 31 December 2021 (2020: Nil).

13. 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 December 31	
	2021	2020
	RMB'000	RMB'000
Loss		
Loss for the year attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(66,679)**	(391,865)

	2021	2020
	Number of shares '000	Number of shares '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,366,261**	967,576

The computation of basic and diluted loss per share for the years ended 31 December 2021 and 2020 excluded the unvested restricted stock units of the Company. Details of these restricted stock units are set out in note 34 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 2021 and 2020 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 2021 and 2020 are the same as the basic loss per share amounts.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	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 2021							
At 1 January 2021:							
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
At 1 January 2021, net of accumulated depreciation	–	6,428	1,831	186	1,024	296,929	306,398
Additions	–	7,766	2,354	137	5,597	118,280	134,134
Disposals	–	(14)	–	(7)	–	–	(21)
Depreciation provided during the year	–	(7,636)	(1,299)	(588)	(915)	–	(10,438)
Transfers	81,041	95,338	2,099	6,007	–	(184,485)	–
Exchange realignment	–	7	1	–	–	–	8
At 31 December 2021, net of accumulated depreciation	81,041	101,889	4,986	5,735	5,706	230,724	430,081
At 31 December 2021:							
Cost	81,041	113,067	8,021	6,506	6,675	230,724	446,034
Accumulated depreciation	–	(11,178)	(3,035)	(771)	(969)	–	(15,953)
Net carrying amount	81,041	101,889	4,986	5,735	5,706	230,724	430,081

14. 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 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

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.

15. 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 RMB'000	**Leasehold land** RMB'000	**Total** RMB'000
As at 1 January 2020	9,945	76,366	86,311
Additions	19,629	–	19,629
Depreciation charge	(7,576)	(1,543)	(9,119)
Effect of exchange rate	(88)	–	(88)
As at 31 December 2020 and 1 January 2021	21,910	74,823	96,733
Additions	58,709	–	58,709
Depreciation charge	(17,876)	(1,543)	(19,419)
Exchange difference	(24)	(24)	–
As at 31 December 2021	62,719	73,280	135,999

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 2023 and from June 2016 to May 2024, 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 research and development activities for free during the period from May 2016 to May 2021. In addition, the expenditure of the initial leasehold improvements for this building was borne by the local government. The Group has recorded such government grant at a nominal amount.

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**23,998**	9,598
New leases	**58,694**	19,629
Accretion of interest recognised during the year	**2,560**	908
Covid-19-related rent concessions from lessors	**–**	(150)
Payments	**(17,445)**	(5,900)
Effect of exchange rate	**(29)**	(87)
Carrying amount at 31 December	**67,778**	23,998
Analysed into:		
Current portion	**20,336**	6,833
Non-current portion	**47,442**	17,165

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

The Group has 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 RMB810,000 for the year (2020: RMB1,373,000). The cash outflows for leases are disclosed in note 35(c) to the financial statements.

16. GOODWILL

	2021 RMB'000	2020 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.

16. GOODWILL (continued)

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 up a period greater than 5 years 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 goods after the approval of new goods 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 the above forecast period from the financial budget in the goodwill impairment test is appropriate because it reflects the useful lives of Beijing InnoCare's relevant intellectual properties are, 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 period greater than 5 years was used as the senior management of the Group believes that a forecasted period longer than 5 years is feasible and reflects a more accurate entity value.

Key assumptions used in the calculation are as follows:

	2021	2020
Gross margin (% of revenue)	**21.5%~90%**	83.0%~90.0%
Terminal growth rate	**0%**	0%
Pre-tax discount rate	**14.1%**	15.8%

Assumptions were used in the value-in-use calculation of the cash-generating unit as at 31 December 2021 and 31 December 2020. The following describes each key assumption on which senior management has based its cash flow projections to undertake impairment testing of goodwill:

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.

16. GOODWILL (continued)

Impairment testing of goodwill (continued)

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 amount as at 31 December 2021.

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 2021.

17. OTHER INTANGIBLE ASSETS

	Patents and licenses RMB'000	Software RMB'000	Total RMB'000
31 December 2021			
At 1 January 2021:			
Cost	36,580	1,280	37,860
Accumulated amortisation	–	(843)	(843)
Net carrying amount	36,580	437	37,017
Cost at 1 January 2021, net of accumulated amortisation	36,580	437	37,017
Addition	–	1,441	1,441
Amortisation provided during the year	(3,658)	(634)	(4,292)
At 31 December 2021	32,922	1,244	34,166
At 31 December 2021:			
Cost	36,580	2,431	39,011
Accumulated amortisation	(3,658)	(1,187)	(4,845)
Net carrying amount	32,922	1,244	34,166

17. OTHER INTANGIBLE ASSETS (continued)

	Patents and licenses 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	–	271	271
Amortisation provided during the year	–	(265)	(265)
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

18. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	21,423	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%

18. INVESTMENTS IN JOINT VENTURES (continued)

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

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' loss for the year	**604**	2
Share of the joint ventures' total comprehensive loss	**604**	2
Aggregate carrying amount of the Group's investments in the joint ventures	**21,423**	1,159

19. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayment for leasehold land	**32,000**	–
Prepayment for property, plant and equipment	**9,566**	1,045
Prepayment for database system	**6,147**	–
Deposits and others	**3,238**	–
	50,951	1,045

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**794**	–
Consigned processing material	**1,853**	–
Finished goods	**7,271**	1,878
	9,918	1,878

At 31 December 2021, no inventories were pledged as security for liabilities (2020: nil).

21. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	45,304	152
Impairment	(31)	–
Trade receivables	45,273	152

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 fact that the Group's trade receivables are immaterial and relate to several 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.

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

	2021 RMB'000	2020 RMB'000
Within 3 months	45,273	152

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	–	–
Impairment losses	32	–
Amount written off as uncollectible	(1)	–
At end of year	31	–

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by product type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

21. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Gross carrying Amount RMB'000	Expected loss rate	Expected credit loss RMB'000
Trade receivables aged			
Less than 1 year	**45,304**	**0.07%**	**31**

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Interest receivable	**41,363**	26,236
Prepayments	**37,532**	42,461
Value-added tax recoverable	**17,362**	47,723
Other assets	**16,340**	–
Other receivables	**3,548**	4,143
	116,145	120,563

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.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Investments measured at fair value through profit or loss (note 38)		
– Current	**317,059**	–
– Non-current	**304,675**	–
	621,734	–

The above investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

24. CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**5,928,716**	3,969,640
Less: Time deposits with original maturity of more than three months	**(2,691,009)**	(1,668,759)
Restricted cash	**(223)**	–
Cash and cash equivalents	**3,237,484**	2,300,881
Denominated in:		
RMB	**3,106,954**	1,549,611
US$	**103,064**	719,972
Other	**27,466**	31,298
Cash and cash equivalents	**3,237,484**	2,300,881

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 bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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.

25. 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:

	2021 RMB'000	2020 RMB'000
Within 3 months	**81,697**	3,987
3 to 6 months	**1,505**	382
6 to 12 months	**1,257**	1,086
Over 12 months	**143**	65
	84,602	5,520

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

26. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Advances received from customers	**6,831**	–

27. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Payable for property, plant and equipment	**46,956**	30,746
Payroll payable	**41,406**	26,305
Individual income tax and other taxes	**37,360**	1,401
Sales rebate	**33,070**	–
Accruals	**23,024**	23,902
Payable for investments in joint ventures	**20,000**	–
Others	**3,070**	3,100
	204,886	85,454

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

28. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants		
Current	**12,647**	6,646
Non-current	**123,611**	100,000
	136,258	106,646

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

	2021 RMB'000	2020 RMB'000
At 1 January	**106,646**	158,034
Grants received during the year	**45,868**	9,298
Amount recognised in profit or loss	**(16,256)**	(60,686)
At the end of year	**136,258**	106,646

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

29. 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 30 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 (restated)	79,024	172,748	87,586	(270,177)	69,181
Currency translation Difference (restated)	7,628	17,305	19,867	27,598	72,398
Conversion into ordinary shares	(454,156)	(1,030,859)	(1,190,677)	(1,679,659)	(4,355,351)
At 31 December 2020	–	–	–	–	–

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).

30. CONVERTIBLE LOAN

	2021 RMB'000	2020 RMB'000
Non-current portion		
Convertible loan	**1,200,564**	1,149,550

	Convertible loan RMB'000
At 1 January 2020	1,117,176
Changes in fair value	32,374
At 31 December 2020 and 1 January 2021	1,149,550
Changes in fair value	51,014
At 31 December 2021	**1,200,564**

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 39 to the financial statements.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	
	2021	2020
	RMB'000	RMB'000
At beginning of year	**6,036**	6,036
Deferred tax credited to profit or loss during the year	**(604)**	–
At end of year	**5,432**	6,036

Deferred tax assets

	Loss available for offsetting against future taxable profits
	2021
	RMB'000
At beginning of year	**–**
Deferred tax credited to profit or loss during the year	**5,432**
At end of year	**5,432**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021	2020
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	6,036

32. 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.

	2021 RMB'000	2020 RMB'000
Issued and fully paid:		
1,499,673,235 (2020: 1,289,165,235) ordinary shares of US$0.000002 each	**19**	16

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
Exercise of RSUs		47,797	–	125,311
Issue of shares for IPO		250,324	4	2,048,394
Automatic conversion of preferred shares upon IPO		532,245	7	4,355,343
Issue of shares under the over-allotment option		37,548	1	307,456
Share issue expenses		–	–	(102,609)
As at 31 December 2020 and 1 January 2021		1,168,170	16	6,743,236
Issue of shares	(a)	**210,508**	**3**	**2,526,672**
Exercise of RSUs		**31,171**	**–**	**101,818**
As at 31 December 2021		**1,409,849**	**19**	**9,371,726**

a) In February 2021, 18,895,000, 184,815,000 and 6,798,000 ordinary shares were issued to VIVO OPPORTUNITY FUND L.P., GAOLING FUND L.P. and YHG INVESTMENT, L.P. at HK$14.45 per share, respectively.

b) As at 31 December 2021, 94,377,180 shares (as at 31 December 2020: 136,509,788) were reserved under the Schemes for future share grant or vesting of awards and held under trusts to be transferred to individual grantee after they exercise their grants.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Other reserve

The Group's other reserve includes:

i. The excess of the 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.

34. SHARE-BASED PAYMENTS

The Company operates three share-based payment schemes, 2015 Global Share Plan, 2016 Global Share Plan, 2018 Global Share Plan and 2020 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.

34. SHARE-BASED PAYMENTS (continued)

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.

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.

2020 Global Share Plan

The 2020 Global Share Plan became effective on 3 July 2020 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum number of shares in respect of which RSUs may be granted under the 2020 Global Share Plan when aggregated with the maximum number of shares in respect of which share options or RSUs may be granted under any other share-based incentive scheme shall not exceed 10% of the total issued share capital of the same class of the Company as of the Adoption Date (or of the refreshment of the 10% limit). The 2020 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.

RSUs

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.

34. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

The following RSUs were outstanding under the Schemes:

	2021		2020	
	Weighted average exercise price US$ per share	Number of RSUs '000	Weighted average exercise price US$ per share	Number of RSUs '000
At 1 January	0.0511	62,851	0.0070	80,441
Granted during the year	0.1487	13,241	0.0567	47,407
Cancelled during the year	–	–	0.0000	(16,000)
Forfeited during the year	0.0297	(7,350)	0.0297	(1,200)
Exercised during the year	0.0071	(31,171)	0.0000	(47,797)
At 31 December	0.1261	37,571	0.0511	62,851

The weighted average share price at the date of exercise for share options exercised during the year was US$1.7236 per share (2020: US$1.0512).

2021

Number of options '000	Exercise price US$ Per share	Exercise period
7,989	0.000002	1-11-18 to15-9-31
3,000	0.055	30-9-20 to 15-9-31
26,582	0.178	2-8-20 to 7-10-31
37,571		

2020

Number of options '000	Exercise price US$ Per share	Exercise period
44,787	0.000002	6-9-18 to31-7-29
50	0.055	30-9-20 to 31-3-30
18,014	0.178	2-8-20 to 31-11-30
62,851		

34. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

The fair value of each RSU at the respective grant dates is determined by using the binomial method, taking into account the terms and conditions upon which the RSUs were granted. The following table lists the key assumptions that the model used.

	2021	2020
Expected volatility (%)	**43**	43
Risk-free interest rate (%)	**1.33-1.63**	0.56-0.92
Expected life (years)	**10**	10
Weighted average share price (US$ per share)	**2.3591-2.8699**	1.7548-1.9019

The Group recognised share-based payment expenses of RMB220.1 million and RMB126.4 million for the years ended 31 December 2020 and 2021, respectively.

At the date of approval of the financial statements, the Company has 52,253,607 shares which have been reserved for further grant or vesting under the Schemes, representing approximately 3.48% of the Company's shares in issue. Further details are included in note 42 to the financial statements.

35. NOTES TO THE CONSOLIDATED STATEMENT 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 RMB58,708,752 and RMB58,708,752, respectively, in respect of lease arrangements for office and laboratory (2020: RMB19,628,820 and RMB19,628,820, respectively).

Except for the transaction above and the transaction mentioned in note 35(a), there were no major non-cash transactions during the year.

35. NOTES TO THE CONSOLIDATED STATEMENT 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	Convertible redeemable preferred shares	Convertible loan	Long term payables	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	**–**	**–**	**1,149,550**	**–**	**23,998**	**1,173,548**
Changes from financing activities	**–**	**–**	**–**	**50,000**	**(17,445)**	**32,555**
Changes in fair value	**–**	**–**	**51,014**	**–**	**–**	**51,014**
Reclassified to deferred income	**–**	**–**	**–**	**(12,420)**	**–**	**(12,420)**
Currency translation differences	**–**	**–**	**–**	**–**	**(29)**	**(29)**
New lease arrangements	**–**	**–**	**–**	**–**	**58,694**	**58,694**
Accretion of interest	**–**	**–**	**–**	**113**	**2,560**	**2,673**
At 31 December 2021	**–**	**–**	**1,200,564**	**37,693**	**67,778**	**1,306,035**
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	–	69,181	32,374	–	–	101,555
Currency translation differences	(74)	72,398	–	–	(87)	72,237
Covid-19-related rent concessions	–	–	–	–	(150)	(150)
New lease arrangements	–	–	–	–	19,629	19,629
Accretion of interest	231	–	–	–	908	1,139
Conversion into ordinary shares	–	(4,355,351)	–	–	–	(4,355,351)
At 31 December 2020	–	–	1,149,550	–	23,998	1,173,548

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	**810**	1,373
Within financing activities	**17,852**	5,988
	18,662	7,361

36. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Plant and machinery	**61,464**	108,697

On 9 July 2021, the Group entered into a supplemental agreement with Guangzhou High-Tech Zone Technology Holding Group Co., Ltd., in which the Group agrees to repurchase the non-controlling interests hold by Guangzhou High-Tech Zone Technology Holding Group Co., Ltd. in one subsidiary of the Company within one year after the Company list on the Science and Technology Innovation Board. The agreement does not constitute the liability of the Group as at 31 December 2021. The aforementioned arrangement may have negative impact on Group's working capital and exceeds 5% of Group's total asset as at 31 December 2021.

On 5 May 2015, Beijing Huicheng Jianhua Pharma Technology Co., Ltd. ("Beijing Huicheng Jianhua", curently known as Beijing InnoCare Pharma Tech Co., Ltd.) entered into an agreement with Shanghai Runnuo Biotech Co., Ltd. ("Shanghai Runnuo") for the transfer of BTK-related intellectual property rights, pursuant to which Shanghai Runnuo has agreed to irrevocably transfer its worldwide rights and interests in the BTK-related intellectual property rights held by Shanghai Runnuo and its related parties to Beijing Huicheng Jianhua. Subject to the approval of the application of launching the new drug under BTK in other regions outside the People's Republic of China, (1) if Beijing Huicheng Jianhua licenses out the rights under the agreement to other regions outside the People's Republic of China, Beijing Huicheng Jianhua should pay a certain percentage of license fee received to Shanghai Runnuo, (2) if Beijing Huicheng Jianhua produces its own new drug under BTK and sell to other regions outside the People's Republic of China, Beijing Huicheng Jianhua should pay a certain percentage of the oversea sales to Shanghai Runnuo.

Since the application of launching the new drug under BTK in regions outside the People's Republic of China has not been approved, the abovementioned payments are still not yet payable to Shanghai Runnuo. In the event that Beijing Huicheng Jianhua has to make such payment to Shanghai Runnuo in the future, the amount cannot be measured with sufficient reliability at this moment due to the uncertainty of the progress and result of clinical trial and application of the new drug in the aforementioned regions.

37. RELATED PARTY TRANSACTIONS

Group and Company

(a) The Group had the following transactions with a related party during the year:

	2021 RMB'000	2020 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 of its own Series B preferred shares 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 2020.

(b) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	**19,455**	10,566
Pension scheme contributions	**320**	94
Share-based payment expenses	**62,527**	157,914
Total compensation paid to key management personnel	**82,302**	168,574

Further details of directors' and the chief executive's remuneration are included in note 8 to the financial statements.

38. 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:

2021

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	45,273	–	45,273
Financial assets at fair value through profit or loss	–	621,734	621,734
Financial assets included in prepayments, other receivables and other assets	44,911	–	44,911
	5,928,716	–	5,928,716
	6,018,900	621,734	6,640,634

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	84,602	–	84,602
Long term payables	37,693	–	37,693
Financial liabilities included in other payables and accruals	96,178	–	96,178
Convertible loan	–	1,200,564	1,200,564
	218,473	1,200,564	1,419,037

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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	30,379	30,379
Cash and bank balances	3,969,640	3,969,640
	4,000,171	4,000,171

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

39. 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.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 2021				
Investments measured at fair value through profit or loss	–	621,733	–	621,733

Liabilities 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 2021				
Financial liabilities at fair value through profit or loss:				
Convertible loan	–	–	1,200,564	1,200,564
As at 31 December 2020				
Financial liabilities at fair value through profit or loss:				
Convertible loan	–	–	1,149,550	1,149,550

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

(i) Fair values 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 the present value of cash flows based on the market interest rates of instruments with similar terms and risks.

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 2021	**1,200,564**	**Discount rate**	**2.45~4.60**	**note**
At 31 December 2020	1,149,550	Discount rate	2.88~5.03	note

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 the convertible option 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.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

(i) Fair values 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)

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 2021: 2.45%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (29,576)/30,753
			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
		Discount rate for straight loan	31 December 2021: 4.60%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (4,805)/4,992
			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

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.

40. 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 at 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 the 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 the rate of foreign currency	**Increase/ (decrease) in loss before tax**
	%	RMB'000
2021		
If RMB weakens against US$	**5**	**2,245**
If RMB strengthens against US$	**(5)**	**(2,245)**
If RMB weakens against HK$	**5**	**923**
If RMB strengthens against HK$	**(5)**	**(923)**
2020		
If RMB weakens against US$	5	40
If RMB strengthens against US$	(5)	(40)

40. 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.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RM B'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	45,273	45,273
Financial assets included in prepayments, other receivables and other assets	44,911	–	–	–	44,911
Cash and bank balances	5,928,716	–	–	–	5,928,716
	5,973,627	–	–	45,273	6,018,900

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RM B'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	152	152
Financial assets included in prepayments, other receivables and other assets	30,379	–	–	–	30,379
Cash and bank balances	3,969,640	–	–	–	3,969,640
	4,000,019	–	–	152	4,000,171

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2021			
	On demand and less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	84,602	–	–	84,602
Financial liabilities included in other payables and accruals	96,178	–	–	96,178
Lease liabilities	22,687	50,646	–	73,333
Long term payables	–	50,875	–	50,875
Convertible loan (note a)	–	1,302,775	–	1,302,775
	203,467	1,404,296	–	1,607,763

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 and 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 liabilities	6,833	17,165	–	23,998
Convertible loan (note a)	–	1,302,775	–	1,302,775
	69,612	1,319,940	–	1,389,552

Notes:

(a) 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.

40. 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 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is calculated as total debt divided by total assets. The total debt includes long term payables and convertible loan. The gearing ratios as at the end of the reporting periods were as follows:

	2021	2020
	RMB'000	RMB'000
Non-current liabilities:		
Long term payables	**37,693**	–
Convertible loan	**1,200,564**	1,149,550
Total debt	**1,238,257**	1,149,550
Total assets	**7,414,969**	4,537,710
Gearing ratio	**17%**	25%

41. 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:

	2021 RMB'000	2020 RMB'000
CURRENT ASSETS		
Due from subsidiaries	**1,590,003**	742,963
Cash and bank balances	**4,705,282**	3,042,882
Prepayments, other receivables and other assets	**53,256**	19,959
Total current assets	**6,348,541**	3,805,804
CURRENT LIABILITIES		
Other payables and accruals	**2,953**	2,800
Total current liabilities	**2,953**	2,800
NET CURRENT ASSETS	**6,345,588**	3,803,004
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,345,588**	3,803,004
Net assets	**6,345,588**	3,803,004
EQUITY		
Share capital	**19**	16
Reserves (note)	**6,345,569**	3,802,988
TOTAL EQUITY	**6,345,588**	3,803,004

Note:

A summary of the Company's reserves is as follows:

	31 December 2021					
	Share premium RMB'000	Other reserve RMB'000	Share-based payment reserve RMB'000	Foreign exchange reserve RMB'000 (Restated)	Accumulated losses RMB'000 (Restated)	Total RMB'000
At 1 January 2021						
As previously reported	6,743,235	602	234,183	(332,863)	(2,842,169)	3,802,988
Prior year adjustment	–	–	–	(72,398)	72,398	–
As restated	6,743,235	602	234,183	(405,261)	(2,769,771)	3,802,988
Loss for the year	–	–	–	–	(1,660)	(1,660)
Exchange differences on translation of foreign operations into the presentation currency	–	–	–	(110,301)	–	(110,301)
Total comprehensive loss						
Total comprehensive loss for the year	–	–	–	(110,301)	(1,660)	(111,961)
Issue of shares	2,526,672	–	–	–	–	2,526,672
Equity-settled share-based payment expenses	–	–	126,444	–	–	126,444
Exercise of RSUs	101,818	–	(100,392)	–	–	1,426
At 31 December 2021	9,371,725	602	260,235	(515,562)	(2,771,431)	6,345,569

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

	31 December 2020					
	Share premium RMB'000	Other reserve RMB'000	Share-based payment reserve RMB'000	Foreign exchange reserve RMB'000 (Restated)	Accumulated losses RMB'000 (Restated)	Total RMB'000
At 1 January 2020	9,341	602	143,873	(28,076)	(2,621,663)	(2,495,923)
Loss for the year	–	–	–	–	(148,108)	(148,108)
Exchange differences on translation of foreign operations into the presentation currency	–	–	–	(377,185)	–	(377,185)
Total comprehensive loss for the year	–	–	–	(377,185)	(148,108)	(525,293)
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 (Restated)	6,743,235	602	234,183	(405,261)	(2,769,771)	3,802,988

42. EVENTS AFTER THE REPORTING PERIOD

On 16 March 2022, the Group granted 1,820,000RSUs which shall be vested at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2022.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