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

2022
ANNUAL REPORT

Contents

InnoCare Pharma Limited
2022 Annual Report

DEFINITIONS

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

"AD"	atopic dermatitis
"AGM"	annual general meeting of the Company
"ALL"	acute lymphoblastic leukemia
"AML"	acute myeloid leukemia
"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
"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
"Biogen"	Biogen Inc. (Nasdaq: BIIB)
"Board"	the board of directors of our Company
"BTD"	breakthrough therapy designation
"BTK"	Bruton's tyrosine kinase, a human enzyme encoded by the BTK Gene
"CD20"	B-lymphocyte antigen CD20, a B-cell specific cell surface molecule that is encoded by the MS4Al gene
"CDC"	complement-dependent cytotoxicity
"CDE"	Center for Drug Evaluation, an institution under the NMPA
"CEO" or "Chief Executive Officer"	the chief executive officer of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules

"Chairperson"	Chairperson of the Board
"China" or "PRC"	the People's Republic of China, which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"cholangiocarcinoma"	bile duct cancer, a type of cancer that forms in the bile ducts
"CLL"	chronic lymphocytic leukemia
"CNSL"	central nervous system lymphoma
"Company", "our Company", "the Company" or "InnoCare"	InnoCare Pharma Limited (Stock code: 9969), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 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 director(s) of the Company
"DLBCL"	diffuse large B-cell lymphoma, a common type of non-Hodgkin lymphoma that starts in lymphocytes
"DLT"	dose-limiting toxicity, side effects of a drug or other treatment that are serious enough to prevent an increase in dose or level of that treatment
"EULAR"	the European Alliance of Associations for Rheumatology
"FGFR"	fibroblast growth factor receptor, membrane-spanning proteins that are a subgroup of the family of tyrosine kinase receptors
"FL"	follicular lymphoma
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"GMP"	good manufacturing practice
"Group", "our Group", "the Group", "we", "us" or "our"	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

DEFINITIONS

"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"	inflammatory bowel disease
"ICP-105"	one of the Company's clinical stage drug candidates
"ICP-192"	one of the Company's clinical stage drug candidates
"ICP-022" or "Orelabrutinib"	one of the Company's clinical stage drug candidates
"iDMC"	Independent Data Monitoring Committee
"IL-2"	interleukin-2
"IL-5"	interleukin-5
"IL-12"	interleukin-12
"IL-23"	interleukin-23
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"IPO"	the initial public offering of the Company on the Hong Kong Stock Exchange
"IRC"	Independent Review Board/Committee
"ITK"	inducible T cell Kinase
"ITP"	Immune Thrombocytopenia
"iwNHL"	International Working Group Criteria for Non-Hodgkin Lymphoma
"JAK"	janus tyrosine kinase
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange

"Listing Date"	23 March 2020, being the date on which the Shares of the Company were listed on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MCD"	a subtype of diffuse large B-cell lymphoma (DLBCLs), based on co-occurrence of MYD88L265P and CD79B mutations (MCD subtype)
"MCL"	mantle cell lymphoma, a type of B-cell non-Hodgkin lymphoma
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MS"	multiple sclerosis
"MZL"	marginal zone lymphoma
"NDA"	new drug application
"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"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"NRDL"	National reimbursement drug list
"NTRK"	neurotrophic tyrosine receptor kinase
"pan-FGFR inhibitor"	pan-inhibitor of fibroblast growth factor receptor (FGFR) family
"pan-TRK inhibitor"	pan-inhibitor of tropomyosin-related kinase family
"pharmacodynamics" or "PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug

DEFINITIONS

"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"Prospectus"	the prospectus of the Company, dated 11 March 2020, in relation of its Global Offering
"R&D"	research and development
"R/R" or "r/r"	relapsed and refractory
"R-CHOP"	a combination of five drugs as first-line treatment for aggressive non-Hodgkin lymphoma
"RICE"	a combination of four drugs as a treatment for non-Hodgkin lymphoma or Hodgkin lymphoma that has come back after treatment.
"Reporting Period"	the year ended 31 December 2022
"RMB"	Renminbi, the lawful currency of the PRC
"RMB Share Issue"	the Company's initial issue of no more than 264,648,217 RMB Shares which have been listed on the STAR Market since 21 September 2022
"RMB Shares"	the ordinary Shares to be subscribed for in RMB by target subscribers in the PRC, to be listed on the STAR Market and traded in RMB
"SC"	subcutaneous
"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 Share(s)
"SHP2"	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

"STAR Market"	the Science and Technology Innovation Board of the Shanghai Stock Exchange
"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
"TRK"	a family of tyrosine kinases that regulates synaptic strength and plasticity in the mammalian nervous system
"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
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. FDA" or "FDA"	U.S. Food and Drug Administration
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Vivo"	Vivo Opportunity Fund, L.P, a company of Vivo Capital VIII, LLC
"WM"	Waldenstrom's macroglobulinemia

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Dr. Yigong Shi
Mr. Quanhong Yuan (resigned on 31 March 2022)
Mr. Shan Fu (resigned on 27 March 2023, immediately after the closure of the Board meeting held on 27 March 2023)
Mr. Ronggang Xie
Mr. Ming Jin (appointed on 31 March 2022)

Independent Non-executive Directors

Dr. Zemin Jason 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

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 (resigned on 23 March 2022)

AUTHORIZED REPRESENTATIVES

Dr. Jisong Cui
Ms. Angel Pui Shan Lee (appointed on 23 March 2022)
Mr. Keith Shing Cheung Wong (resigned on 23 March 2022)

AUDIT COMMITTEE

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

COMPENSATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

Ernst & Young
Certified Public Accountants
27/F One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

STOCK CODE

9969

COMPANY WEBSITE

www.innocarepharma.com

Up to the date of this report, we continued advancing our robust pipeline which consist of 13 valuable assets, including 2 commercialized products, more than 30 ongoing global trials in various clinical stages, and business operations with consistently strong execution and a clear growth strategy in aspects of research and development ("R&D"), manufacturing, commercialization, and collaboration, including the following milestones and achievements:

DEVELOPING B-CELL AND T-CELL PATHWAYS IN AUTOIMMUNE DISEASES

We have fortified our powerful discovery engine in the global frontier targets for the development of autoimmune therapeutics through B-cell and T-cell pathways for the purpose of providing the first-in-class or best-in-class treatments to the massive unmet clinical needs with a promising market potential in global and/or regional markets.

Orelabrutinib

As of the date of this report, the 12-week interim analysis topline data of the multiple sclerosis ("MS") global Phase II trial had met the primary endpoint. Our brain-penetrating BTK inhibitor Orelabrutinib significantly reduced disease activity in a Phase II trial in relapsing multiple sclerosis patients. The primary objective of detecting significant reduction in cumulative number of new gadolinium ("Gd") + T1 lesions at week 12 compared to placebo was met in all three active treatment groups in a dose-dependent manner. The 80 mg QD group showed the highest reduction of 92.1% (p=0.0006), supporting further development.

The Phase IIa trial for systemic lupus erythematosus ("**SLE**") delivered positive results in March 2022. The study showed that Orelabrutinib was safe and well tolerated. Its efficacy was demonstrated by remarkable SLE Responder Index ("**SRI**")-4 response rates in a dose dependent manner. The detailed information was presented as a late-breaking oral presentation at the European Alliance of Associations for Rheumatology ("**EULAR**") in June 2022. At the end of 2022, with the completion of the discussion with the Center for Drug Evaluation ("**CDE**") regarding next stage development protocol for Orelabrutinib for SLE, we initiated the Phase IIb trial for a larger population in mainland China.

We are pursuing Phase II clinical trial of Orelabrutinib for the treatment of primary immune thrombocytopenia purpura ("**ITP**") and have achieved proof of concept ("**PoC**"). The primary endpoint will be concentrated on the proportion of subjects with platelet count 50x109L (platelet count should be detected at least twice consecutively, with an interval of at least 7 days). As of cut-off date on 6 February 2023, the overall 36.4% (12 out of 33 patients) met the primary endpoint, while 40% (6 out of 15) patients at the 50 mg arm.

ICP-332

ICP-332 is a novel tyrosine kinase 2 ("**TYK2**") inhibitor that is developed for the treatment of various T cell related autoimmune disorders. We completed the Phase I clinical trial in March 2022. Based on the data of safety, PK/PD, and biomarkers with no significant decrease of platelet and hemoglobin (JAK-2 related AE) in the Phase I study, we initiated Phase II study in atopic dermatitis ("**AD**") in China in the second half of 2022.

BUSINESS HIGHLIGHTS

ICP-488

ICP-488 is a potent and selective TYK2 allosteric inhibitor binding to the pseudo kinase JH2 domain of TYK2 and blocks IL-23, IL12, type 1 IFN and other cytokine receptors. We plan to develop ICP-488 for the treatments of various autoimmune diseases.

The first subject was dosed in August 2022 and the study enrollment of the Phase I trial is ongoing in China as of the date of this report. The single ascending doses ("**SAD**") part, two cohorts of multiple ascending doses ("**MAD**") have been completed. Patients with psoriasis will be treated at selected doses.

BUILDING A LEADING FRANCHISE IN HEMATO-ONCOLOGY

With Orelabrutinib as a backbone therapy and the support of our abundant pipeline in hemato-oncology, 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 hemato-oncology in China and worldwide by covering non-Hodgkin lymphoma ("**NHL**"), multiple myeloma ("**MM**"), and leukemia segments by single or combo therapy. A particular combination therapy toolkit is well designed and aims to position a full coverage of diffuse large B-cell lymphoma (DLBCL).

NHL – indolent lymphoma

Orelabrutinib

- Leveraging the strong sale momentum after entered in NRDL in 2022, Our core product 宜諾凱® (Orelabrutinib, BTK inhibitor) generated a product revenue of RMB565.9 million for the year ended 31 December 2022, an increase of 164% compared to RMB214.7 million in the same period of 2021. The strong sales growth was mainly driven by the smooth implementation of the updated National Reimbursement Drug List ("**NRDL**"), active and effective market penetration carried out by our in-house commercialization team, and broad use recommendation by the 2021 Chinese Society of Clinical Oncology ("**CSCO**") Diagnosis and Treatment Guidelines for Malignant Lymphoma (the "**Guidelines**").

- The new drug application ("**NDA**") for relapsed and/or refractory marginal zone lymphoma ("**r/r MZL**") was accepted by the National Medical Products Administration ("**NMPA**") in August 2022 and is currently under the priority review.

- We are conducting a Phase III registrational trial for first-line treatment of chronic lymphocytic leukemia/small lymphocytic lymphoma ("**CLL/SLL**"), which is more than halfway through patient enrollment in China, comparing Orelabrutinib monotherapy versus rituximab plus chlorambucil.

- In the U.S., the patient enrollment of Phase II registrational trial for relapsed and refractory mantle cell lymphoma ("**r/r MCL**") is ongoing and we expect to submit the NDA in next year.

- A clinical trial of the combination of Orelabrutinib with anti-programmed death protein-1 ("**anti-PD-1**") monoclonal antibody in refractory or relapsed primary central nervous system lymphoma is ongoing, and the preliminary results of the study was presented at European Hematology Association ("**EHA**").

NHL – aggressive lymphoma/DLBCL

Orelabrutinib

- We are in a progress of a Phase III registrational trial in China for the first-line treatment of MCD subtype diffuse large B-cell lymphoma ("**DLBCL**") comparing Orelabrutinib in combination with rituximab, cyclophosphamide, doxorubicin, vincristine, and prednisone ("**R-CHOP**") verses R-CHOP. The real-world data regarding Orelabrutinib in combination with R-CHOP for MCD DLBCL were posted at American Society of Clinical Oncology ("**ASCO**") in June 2022. For the initial 14 patients, the complete response rate ("**CRR**") for the first-line and second-line patients were 75% and 66.67%, respectively.

ICP-B04 (Tafasitamab ("CD19") (Minjuvi®))

- Tafasitamab, in combination with Lenalidomide, was the first approved second-line treatment for DLBCL in the U.S. and obtained the approval in Europe for the treatment of adults with r/r DLBCL who are not eligible for autologous stem cell transplantation ("**ASCT**"). In China, Tafasitamab in combination with Lenalidomide was officially included as a class II recommended regimen for the treatment of adult patients with r/r DLBCL who are ineligible for ASCT in the 2022 CSCO Guidelines.

- Tafasitamab, in combination with lenalidomide is not approved by the National Medical Products Administration (NMPA) for any indication in China, except that the combination has been approved by the Department of Health, the Hong Kong Special Administrative Region, China for adult patients with relapsed or refractory diffuse large B-cell lymphoma ("**DLBCL**") who are not eligible for ASCT. The Hong Kong approval of Tafasitamab and lenalidomide will not only provide access to eligible DLBCL patients in the region but may also assist patient access in the Greater Bay Area soon. Additionally, under the early access program in Boao Lecheng International Medical Tourism Pilot Zone, prescriptions of Tafasitamab in combination with lenalidomide were filled in China at the Ruijin Hainan Hospital for an eligible DLBCL patients. Moving forward, we will accelerate the registrational trial in China in the hopes of meeting more unmet medical needs, if approved.

ICP-B02 (CM355)

- ICP-B02 is a CD20xCD3 bispecific antibody. The Phase I dose escalation is progressing with the fourth cohort which has been completed in January 2023. So far, the almost complete B-cell depletion was observed in patients treated with low dose of ICP-B02. The IND application for ICP-B02 subcutaneous ("**SC**") formulation was approved by the CDE in March 2023.

Multiple Myeloma ("**MM**")

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. The investigational new drug ("**IND**") application for oncology indications was approved by the CDE in July 2022 and the Phase I dose escalation study was initiated in February 2023.

BUSINESS HIGHLIGHTS

Leukemia

ICP-248

- ICP-248 is a novel, orally bioavailable B-cell lymphoma-2 ("**BCL-2**") selective inhibitor. BCL-2 is an important part of apoptotic pathway and is overexpressed in a variety of hematologic malignancies. The IND application for ICP-248 was accepted by the CDE in July 2022 and Phase I patient enrollment mainly targeting chronic lymophocytic leukemia and mantle cell lymphoma is ongoing.

BUILDING A COMPETITIVE DRUG PORTFOLIO FOR SOLID TUMOR TREATMENT IN CHINA AND WORLDWIDE

We strived to expanding the breadth of our pipeline covering solid tumor diseases areas through the precision medicine to provide the right medicine to the right patient at the right time. We believe the potential best-in-class molecules ICP-192 and ICP-723 will enable us to establish a solid footprint in the field of solid tumor treatment.

ICP-192 (Gunagratinib)

In the middle of January 2023, we presented the ICP-192 data from an ongoing Phase IIa dose-expansion study of Gunagratinib in patients with cholangiocarcinoma ("**CCA**") at ASCO-GI 2023. Gunagratinib is safe and well-tolerated with high response rate (52.9%) compared to other approved FGFR inhibitors in previously treated patients with locally advanced or metastatic CCA harboring FGFR2 gene fusions or rearrangements. Currently, we are conducting ICP-192 registrational trial in CCA in China and undergoing several Phase I/II clinical studies in China, the U.S., and Australia.

ICP-723 (Zurletrectinib)

In the Phase I dose escalation study, dosage has been escalated up to 20 mg with no DLT observed. Phase II dose expansion study is ongoing with RP2D being determined as 8 mg. As of 30 December 2022, 75% ORR (9 PR in 12 patients) was observed in adult patients with various cancers carrying NTRK fusion and 77.8% ORR (7 PR in 9 patients) was observed at RP2D. The IND submission for additional pediatric population (<12 years old) was accepted by CDE in January 2023 and we intend to communicate with CDE on further registrational trial.

To benefit more patients, our rapidly maturing early-stage pipeline including the cornerstone therapy ICP-189 and ICP-B05, and ICP-033 immune-oncology treatment should enable us to provide a competitive treatment solution for a large array of solid tumors for both China and global patients.

ICP-189

ICP-189 is a potent oral allosteric inhibitor of SHP2 with potential synergistic combinations with a range of targeted therapies or immunotherapies. We are conducting a Phase Ia dose escalation study to evaluate the safety, tolerability, pharmacokinetics and preliminary anti-tumor activity of ICP-189 in patients with advanced solid tumors in China. As of 8 February 2023, dosage has been escalated up to 40 mg with no DLT observed and demonstrated favorable PK profile and long half-life. Preliminary efficacy was observed in ICP-189 monotherapy. 1 patient with cervical cancer in 20 mg dose cohort achieved confirmed PR.

ICP-B05 (CM369)

ICP-B05 is an anti-CC chemokine receptor 8 ("**CCR8**") monoclonal antibody, a potential first-in-class drug co-developed with KeyMed as a monotherapy or in combination with other therapies for the treatment of various cancers. The IND was approved in the third quarter of 2022. We are conducting the Phase I clinical trial to evaluate the safety, tolerability, pharmacokinetic characteristics, and efficacy of ICP-B05 in subjects with advanced liquid and solid tumors.

FINANCIAL HIGHLIGHTS

In 2022, the Group has achieved the following growth when compared with those of 2018 to 2021:

	As at December 31,/year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)		
Cash and bank balances	**8,697,927**	5,928,716	3,969,640	3,969,640	1,876,618
Total asset	**10,321,158**	7,397,531	4,537,710	2,615,693	2,201,159
Total liabilities	**2,676,831**	1,738,612	1,738,612	5,563,439	3,039,533
REVENUE	**625,404**	1,043,033	1,364	1,247	1,617
Cost of sales	**(143,397)**	(65,667)	–	–	–
Other income and gains	**198,199**	217,938	271,304	104,449	31,395
Selling and distribution expenses	**(438,611)**	(298,463)	(68,208)	(3,458)	(558)
Research and development costs	**(639,139)**	(721,584)	(402,771)	(213,123)	(149,726)
Administrative expenses	**(181,556)**	(139,815)	(89,371)	(63,623)	(17,523)
Other expenses	**(291,167)**	(1,271)	(1,489)	(2)	(710)
Finance costs	**(17,045)**	(2,642)	(1,139)	(1,916)	(3,441)
Fair value changes of convertible redeemable preferred shares	**–**	–	(69,181)	(1,814,018)	(387,804)
Fair value changes of convertible loan	**3,396**	(51,014)	(32,374)	(159,907)	(27,269)
Impairment losses on financial assets	**(100)**	(32)	–	–	–
Shares of profits and losses of joint ventures	**(9,711)**	(604)	–	–	(4)
Income tax expense	**–**	(46,558)	–	–	–
LOSS FOR THE YEAR	**(893,727)**	(66,679)	(391,865)	(2,150,351)	(554,023)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and diluted	**(RMB0.60)**	(RMB0.05)	(RMB0.40)	(RMB9.32)	(RMB2.83)

	2022 RMB'000	2021 RMB'000
Revenue	**625,404**	1,043,033
Other income and gains	**198,199**	217,938
Selling and distribution expenses	**(438,611)**	(298,463)
Research and development costs	**(639,139)**	(721,584)
Administrative expenses	**(181,556)**	(139,815)
Other expenses (mainly are unrealized exchange loss)	**(291,167)**	(1,271)
Loss for the year	**(893,727)**	(66,679)
Adjusted (loss)/profit for the year (as illustrated under "**Non-HKFRSs Measures**")	**(473,691)**	2,630

REVENUE

Our sales of Orelabrutinib increased by 163.6% to RMB565.9 million for the year ended 31 December 2022, compared to RMB214.7 million for the year ended 31 December 2021. Total revenue was RMB625.4 million for the year ended 31 December 2022, compared to RMB1,043.0 million for the prior year. The decrease of RMB417.6 million in total revenue was primarily attributable to the revenue generated from the business collaboration, decreased from RMB776.0 million for the year ended 31 December 2021 to nil for the year ended 31 December 2022.

OTHER INCOME AND GAINS

Our other income and gains decreased from RMB217.9 million for the year ended 31 December 2021 to RMB198.2 million for the year ended 31 December 2022, primarily attributable to (i) foreign exchange gain from RMB57.1 million in 2021 to nil in 2022; (ii) an increase of RMB8.4 million in investment income from the investments in wealth management products from RMB0.07 million in 2021 to RMB8.5 million in 2022; (iii) RMB29.9 million increase in recognized government grants from RMB16.3 million in 2021 to RMB46.2 million in 2022; and (iv) RMB1.8 million increase in the interest income from RMB135.1 million in 2021 to RMB136.9 million in 2022.

TOTAL EXPENSES

Our total expense, including research and development costs, selling and distribution expenses, administrative expenses and other expenses, increased from RMB1,161.1 million for the year ended 31 December 2021 to RMB1,550.5 million for the year ended 31 December 2022, primarily due to the expansion of our clinical trials, the increase in market research and market promotion expense, the increase of personnel cost, and offset by decrease of license-in expense. Such change was mainly resulted from (i) the change in other expense from a gain of RMB57.1 million in 2021 to an unrealized loss of RMB290.6 million in 2022, due to USD appreciation against RMB when exchanging our overseas companies' RMB balance to its functional currency USD; (ii) RMB115.4 million increase of clinical trial and employee cost from RMB304.5 million to RMB419.9 million, offset by decrease of license-in and collaborative expense from RMB273.0 million to RMB2.5 million and (iii) RMB140.1 million increase of selling and distribution expenses, including employee expense and marketing promotion cost due to the generation of increased revenue, from RMB298.5 million to RMB438.6 million.

LOSS FOR THE YEAR

Based on the factors described above, our loss for the year increased from RMB66.7 million for the year ended 31 December 2021 to RMB893.7 million for the year ended 31 December 2022. Taking no account of the impact of share-based compensation and unrealized foreign exchange, the loss for the year (as illustrated under "**Non-HKFRSs Measures**") decreased from a profit of RMB2.6 million for the year ended 31 December 2021 to a loss of RMB473.7 million for the year ended 31 December 2022.

NON-HKFRSs MEASURES

To supplement the Group's consolidated financial statements, which are presented in accordance with HKFRSs, we also use the adjusted total loss for the year as an additional financial measure, which is not required by, or presented in accordance with HKFRSs. We believe that these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating our consolidated results of operations in turn as they help our management.

Adjusted total loss for the year represents the total loss for the year excluding the effect of certain non-cash items, namely the unrealized foreign exchange and share-based compensation expense. The term adjusted total loss for the year is not defined under HKFRSs. The use of this non-HKFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs. Our presentation of this adjusted figure may not be comparable to similarly titled measures presented by other companies. However, we believe that this non-HKFRSs measure reflects our normal operating results by eliminating potential impacts of items that our management do not consider to be indicative of our normal operating performance, and thus, facilitate comparisons of normal operating performance from period to period and company to company to the extent applicable. The table below sets forth a reconciliation of total loss to adjusted total loss for the years indicated:

	2022	2021
	RMB'000	RMB'000
Loss for the year	**(893,727)**	(66,679)
Adjust:		
Unrealized exchange loss/(gain)	**290,559**	(57,135)
Share-based compensation expense	**129,477**	126,444
Adjusted loss for the year	**(473,691)**	2,630

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 2022 and our exciting business outlook for future success. Despite a complex environment in the healthcare industry and global market, in 2022 InnoCare achieved favorable accomplishments in all aspects of our business, which is its 7th anniversary since its establishment, and was successfully listed on the Shanghai Stock Exchange Science and Technology Innovation Board ("**STAR Board**"). Those were the significant moments to reflect on what had been built over the last seven years, but also on the unprecedented challenges of the past year and the way in which everyone across the InnoCare family has helped navigate our way through the most testing 12 months in our history.

STRATEGY EXECUTION DELIVERED STRONG GROWTH IN ALL ASPECTS

Our commercial team executed swift implementation of the National Reimbursement Drug List (the "**NRDL**") for the marketing and sales of Orelabrutinib (**BTKi, 宜諾凱®**) in China successfully and achieved sales of RMB566 million with a year-to-year growth of 163.6%. During the first full year of Orelabrutinib's inclusion in NRDL, we have expanded our sales and marketing team to an adequate scale to accelerate market penetration in 2022 and beyond. Over the course of 2022, our sales and marketing team has commercialized Orelabrutinib in over 300 cities and covered more than 1,500 hospitals throughout China. We are confident that the recognition from the medical society i.e. CSCO Diagnosis and Treatment Guidelines ("**CSCO Guidelines**"), coupled with our strong commercialization capability, will ensure broad Orelabrutinib patient access and market shares in China over the coming years.

In addition, we enriched our commercial portfolio by launching Tafasitamab (**CD19, Minjuvi®**), in combination with Lenalidomide, under the early access program in Hainan province, China for adult patients with r/r DLBCL who are not eligible for autologous stem cell transplantation ("**ASCT**"). Tafasitamab in combination with Lenalidomide is the first FDA-approved treatment for the second line relapsed or refractory diffuse large B-cell lymphoma ("**DLBCL**"). The Biologics License Application ("**BLA**") approval was obtained in Hong Kong, and Tafasitamab in combination with Lenalidomide was included as a class II recommended regimen for the treatment of r/r DLBCL in the 2022 CSCO Guidelines. Moving forward, we will accelerate the registrational trial in China to bring Tafasitamab to patients with high unmet clinical needs, allow for combinations with our pipeline assets, and increase our position, which is strategically important to our ambition of building a leadership position in the hemato-oncology space.

We have continued to advance our valuable and differentiated clinical assets rapidly in China and worldwide. We had built up a highly differentiated and competitive pipeline consisting of 13 clinical assets, more than 30 clinical trials ongoing globally, and focusing on hemato-oncology, autoimmune disease, and solid tumor areas. Our core product Orelabrutinib is progressing through multiple registrational and exploratory trials in oncology and autoimmune diseases. At ASCO 2022, we presented the real-world analysis of Orelabrutinib in combination with standard of care in DLBCL-MCD patients. In that trial, the completed response ("**CR**") rate of 75% was observed in the first line DLBCL-MCD and to confirm the signal we are conducting the first Phase III registrational trial in China. **We have been actively pursuing Orelabrutinib in autoimmune disorders. The 12-week interim analysis topline data of multiple sclerosis ("MS") global Phase II trial has met the primary endpoint, which 92.1% relative reduction achieved at 80 mg QD in a cumulative number of new GD-T1 lesions compared to the placebo**. Among existing different therapies for relapsed multiple sclerosis ("**RMS**") in Phase II studies, our favorable result provides us the confidence to be the potential best-in-class BTKi. In earlier 2022, we also disclosed the positive results from a Phase IIa trial for systemic lupus erythematosus ("**SLE**") that demonstrated promising efficacy and safety profile, making it potentially the first-in-class BTK inhibitor for SLE. Furthermore, we disclosed our T-cell pathway global frontier target ICP-332's (TKY2, JH1) positive Phase I result and the preliminary results of ICP-488 (TKY2, JH2), for massive unmet clinical needs with promising market potential.

Financially, in 2022, we had ample cash runway and smoothed commercial execution to unlock value. We achieved total revenue of RMB625 million which is dominated by Orelabrutinib sales. The Company has been dual listed on the STAR Board raising approximately a total of RMB2.9 billion in proceeds. Through successful fundraising and with our highly cost effective and cost sensitive financial control, we ended 2022 with a total cash position of RMB9.1 billion, providing us with sound financial safety, sufficiency, and flexibility in the foreseeable future to weather volatile macro environment and fluctuating capital market.

In the past years, we have been expanding our infrastructure and internal production capabilities. In August 2022, the first commercial batch of Orelabrutinib manufactured at the Guangzhou small molecule production facility was released to the commercial markets. This feat has propelled us to the completed commercial and production phase of the business cycle. Besides, it also unleashes the power of our integrated platform and marks yet another milestone in our unwavering quest to build a world-class biopharmaceutical company that develops and commercializes high quality innovative drugs that are affordable to patients.

Looking back to the success we achieved in the past seven 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.

EMBARK ON THE NEW JOURNEY OF INNOCARE VERSION 2.0

With the solid foundation we have built in the past seven years, we are even more confident to accomplish our vision of becoming a global pharmaceutical leader that develops and delivers innovative therapies for patients worldwide. Through seven years of effort and dedication, we have completed the InnoCare version 1.0 era and officially entered version 2.0 at the beginning of 2023. 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.

Building A Leading Franchise in Heme-Oncology

With Orelabrutinib as a backbone therapy coupled with our heme-oncology focused pipeline, such as ICP-248 (BCL-2), ICP-490 (E3 Ligase), ICP-B02 (CD3xCD20), Tafasitamab (ICP-B04) (CD19), and potential future internal pipeline assets that will enter clinical trials, we aim to become a leading player in hemato-oncology in China and worldwide by developing a unique and differentiated pipeline targeting key pathways in Hemato-oncology indications and can be potentially best-in-disease treatments for DLBCL, multiple myeloma, Non-Hodgkin Lymphoma, and Leukemia segments as a single agent or combo therapy.

Developing B-cell and T-cell Pathways in Autoimmune Diseases

We plan to continuously apply our powerful discovery engine to discover first-in-class and/or best-in-class NCEs against frontier targets for the development of autoimmune therapeutics through B-cell and T-cell pathways. We hope these will be the treatments to patients to address the massive unmet clinical needs with a promising market potential in global and/or regional markets.

Building A Competitive Drug Portfolio for Solid Tumor Treatment

To benefit patients more, we will strive to expand the breadth of our pipeline covering solid tumor diseases areas through the precision medicine philosophy and intend to provide the right medicine to the right patient at the right time. We believe our molecules ICP-192 and ICP-723 will enable us to establish a solid initial presence in the field of solid tumor treatment, while our rapidly maturing early clinical pipeline including the potential cornerstone of immuno-oncology/combo therapy ICP-189 (SHP2) and ICP-B05 (CCR8), and ICP-033 (VEGFR, DDR1) should enable us to provide a competitive treatment solution for a large array of solid tumors for both China and global patients.

CHAIRPERSON'S STATEMENT

In the next few years, we anticipate we will have multiple innovative drugs commercialized that should benefit patients worldwide. 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.

On behalf of all employees of InnoCare, please allow me to express my profound gratitude to each one of you, to our partners, shareholders, and stakeholders for your strong support and trust. Moving forward, my colleagues and I remain confident and are highly focused on our mission and strategy to generate value for our shareholders and to improve public health globally through innovation.

Yours faithfully,

Dr. Jisong Cui
Chairperson and Executive Director

27 March 2023

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, being two major 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 China. In addition, we have launched the second commercialized product Tafasitamab in a designated province in China for prior clinical use. 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 to identifying novel targets and developing therapies with global breakthrough potential.

- **We have continued to expand our commercial portfolio by launching the second product and maintain strong revenue growth performance of the flagship product in the first-year inclusion of NRDL.** During the fiscal year of 2022, our core product Orelabrutinib accelerated fast growth in both revenue and volume with an annual revenue growth of 163.6% compared with 2021. The global first approved CD19 antibody Tafasitamab for the treatment of second line of DLBCL was successfully launched in the priority use territory of Hainan province in mainland China and further granted BLA approval in Hong Kong. The rapid movement towards market validated our confidence and capability in commercialization.

- **We have enriched the robust pipeline with 13 clinical stage assets, keep pushing towards the late-stage innovative trials ahead, and achieved positive proof of concept ("PoC") data including MS and ITP for several promising assets across three focused therapeutics areas.** We have advanced the assets in pivotal or registrational trial including Orelabrutinib in 1L DLBCL-MCD, 1L CLL/SLL, 1L MCL, r/r MZL, r/r WM, and r/r MCL in U.S. and ICP-192 in cholangiocarcinoma registral trial. Additionally, we achieved positive PoC data readouts for Orelabrutinib in SLE that enable us to keep moving forward to pursue the first-in-class treatment. The 12-week interim analysis topline data of the MS global PoC trial had met the primary endpoint and we anticipate to disclose the full detailed data packages in the second quarter of 2023. For ITP, our Orelabrutinib achieved the favorable Phase II PoC data readout, which may lead to a potential best-in-class BTKi.

- **We have rolled out development for the global and high potential early-stage assets and accelerated the development of TYK2 assets ICP-332 and ICP-488 with positive preliminary data readouts.** Besides, other novel targets and platforms including but not limited to CD3xCD20, BCL-2, E3 Ligase, CCR8, and SHP2 are moving towards the next stage.

- **We have further enhanced our fully integrated platform from different aspects.** In 2022, while keeping our cost-effective core, we doubled the research scientists in drug discovery team and expanded the clinical team to further strengthen our R&D capacity globally. By leveraging the two exclusive strategic

collaborations with leading academic laboratories for target identification, several projects targeting global first-in-class targets are under different development stages. We have two manufacturing sites in Beijing and Guangzhou to support CMCs of our pipeline and inline projects efficiently. To fully maximize the value of our first-in-class and/or best-in-class assets, we have expanded to approximately 300 in-house commercialization members to present.

- **We have maintained in a healthy financial position with a long-term cash runway.** After the RMB Shares of the Company have been successfully listed on Shanghai Sci-Tech Innovation Board ("**STAR**") in September 2022, we have more than RMB9.0 billion cash and cash equivalents on hand. The healthy financial position and consistently efficient capital allocation provide us flexibility on the long-term strategy.

BUSINESS OVERVIEW

ORELABRUTINIB COMMERCIALIZATION ACHIEVEMENTS AND MILESTONES

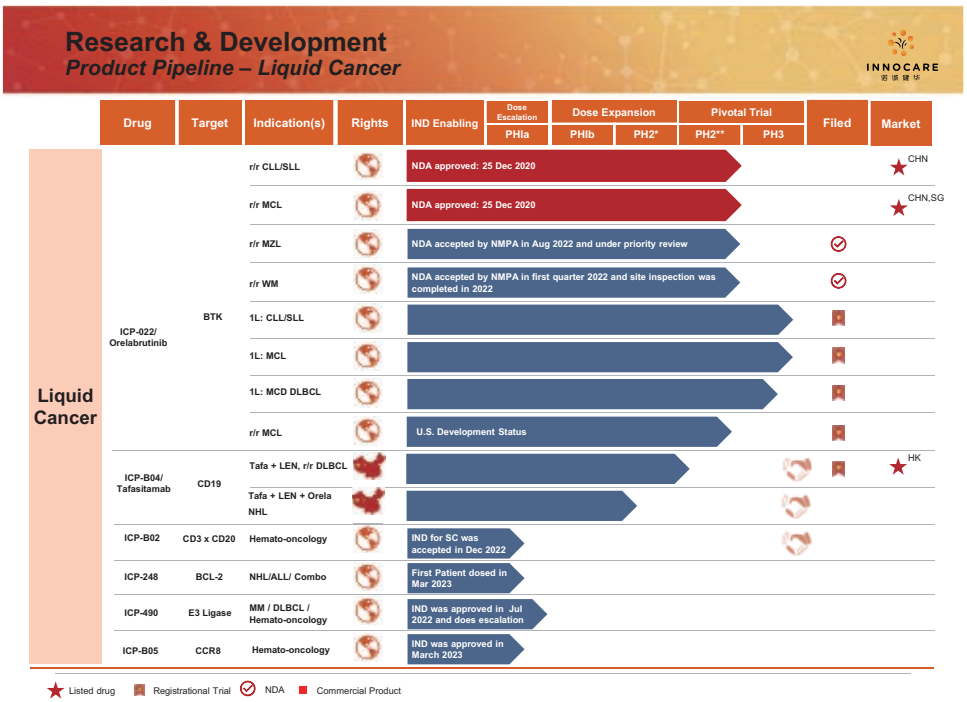
Orelabrutinib (宜諾凱®), our first commercialized product, a highly selective, irreversible BTK inhibitor was successfully included in China's NRDL in 2021 for the treatment of patients with r/r CLL/SLL and r/r MCL. Total revenue was recorded as RMB625.4 million for the year ended 31 December 2022 which Orelabrutinib generated a sales of RMB565.9 million for the fiscal year end of 2022, representing a 163.6% growth comparing to 2021. With an in-house team of approximately 250 experienced sales and marketing members, Orelabrutinib's promotion coverage had rapidly penetrated more than 300 cities and more than 1,500 nationally leading hospitals, and over 6,000 doctors were well educated. We expect that the NRDL inclusion and our strengthened commercialization capability could enable us to maintain the strong growth momentum of Orelabrutinib sales in 2023 and beyond through broadened patient access, accelerated market penetration, and enhanced duration of treatment ("**DOT**").

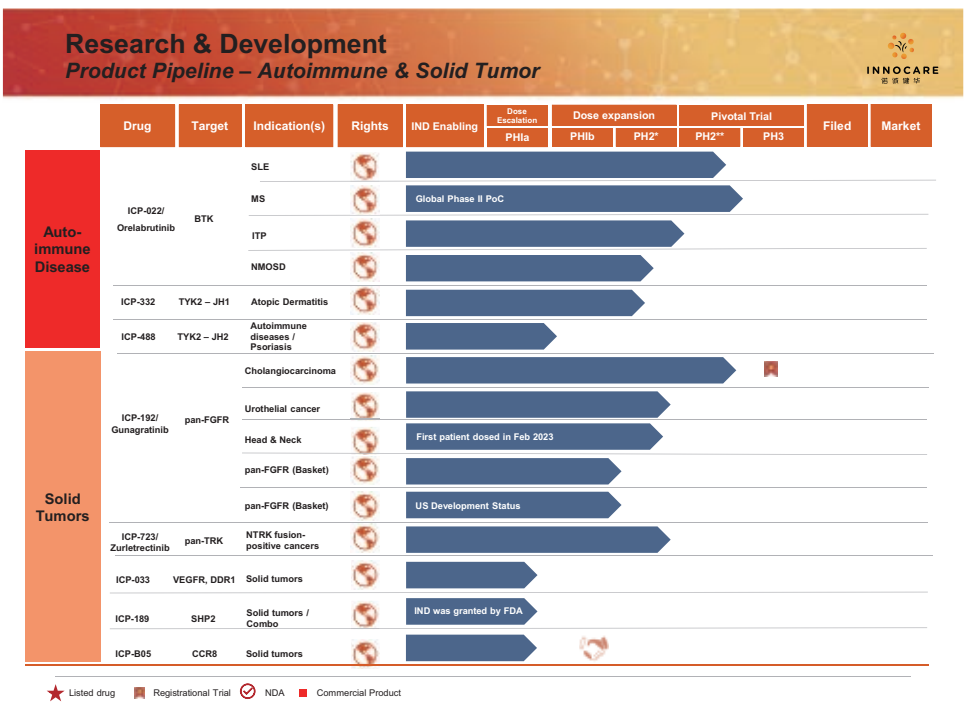
(宜諾凱®, Orelabrutinib, BTK inhibitor)

Orelabrutinib (宜諾凱®) was included in the CSCO Guidelines and has been recommended as a Class I treatment for r/r CLL/SLL and r/r MCL, and as one of the recommended BTK inhibitor to combine with chemotherapy for the treatment of r/r DLBCL and pCNSL.

PRODUCT PIPELINE

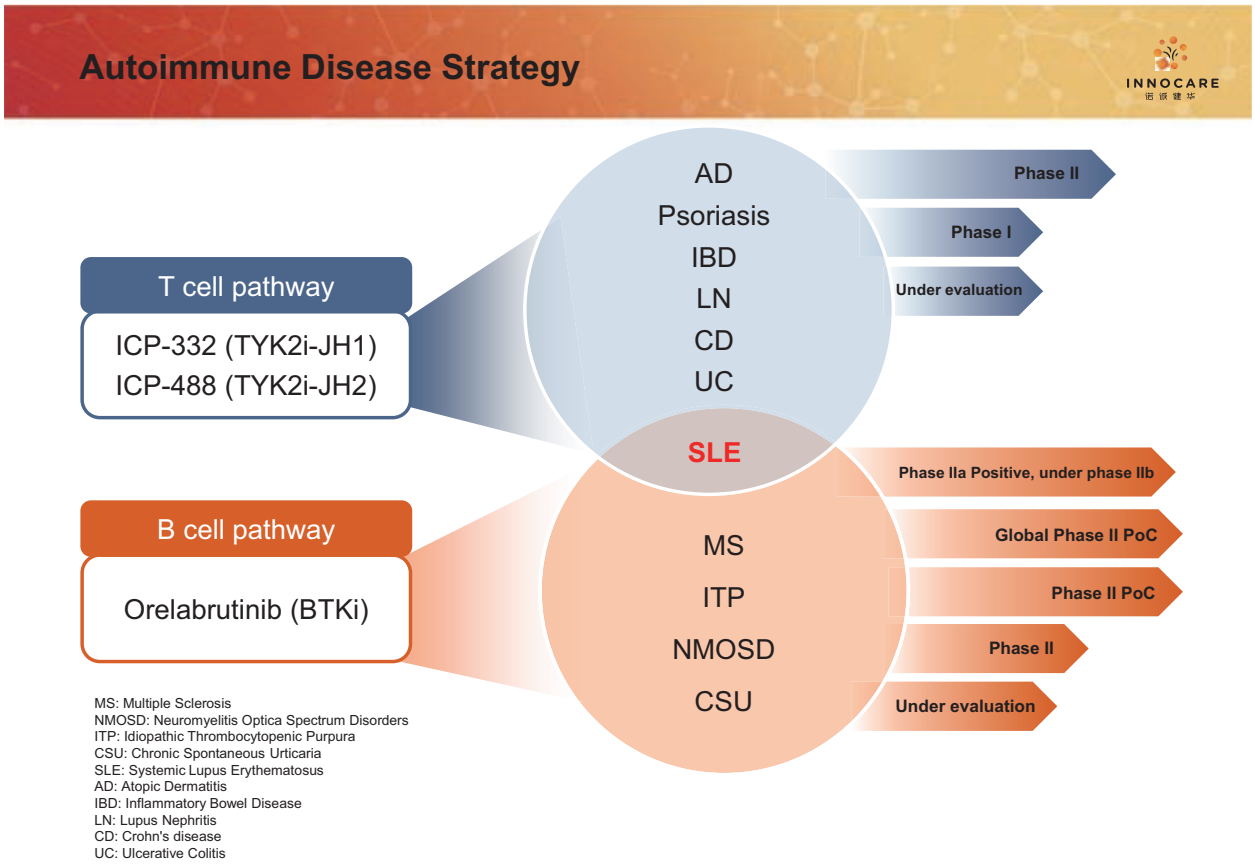
Our current pipeline drugs cover a variety of novel and validated therapeutic targets and drug modalities including monoclonal antibodies, bispecific antibodies, and small molecules for the treatment of various autoimmune diseases, hemato-oncology and solid tumors.





Developing B-cell and T-cell Pathways in Autoimmune Diseases

We have fortified our powerful discovery engine in the global frontier targets for the development of autoimmune therapeutics through B-cell and T-cell pathways for the purpose of providing the first-in-class or best-in-class treatments to the massive unmet clinical needs with a promising market potential in global and/or regional markets.



For the autoimmune diseases, by leveraging Orelabrutinib's favorable safety profile, high selectivity, central nervous system ("**CNS**") penetrance, we have established B-cell pathway regulation capability, enabling us to actively pursue its application in treating various auto-immune diseases. Based on the positive results from the Phase IIa SLE clinical trial, we believe Orelabrutinib could potentially become the first-in-class BTK inhibitor for the treatment of SLE and a Phase IIb trial has been initiated in China. We are advancing the global Phase II PoC development of Orelabrutinib in MS. Further, we are progressing Phase II trials in other autoimmune indications including ITP, NMOSD, and potentially further explore chronic spontaneous urticaria ("**CSU**").

Meanwhile, 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, two TYK2 inhibitors for the treatment of various T-cell mediated autoimmune diseases, such as AD, psoriasis, SLE, IBD, lupus nephritis ("**LN**"), Crohn's disease ("**CD**"), and ulcerative colitis ("**UC**").

With 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 substantially unmet medical needs in autoimmune diseases.

B Cell Pathway – 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 high target selectivity and good safety profile, we are evaluating it as a novel therapy for the treatment of various autoimmune diseases.

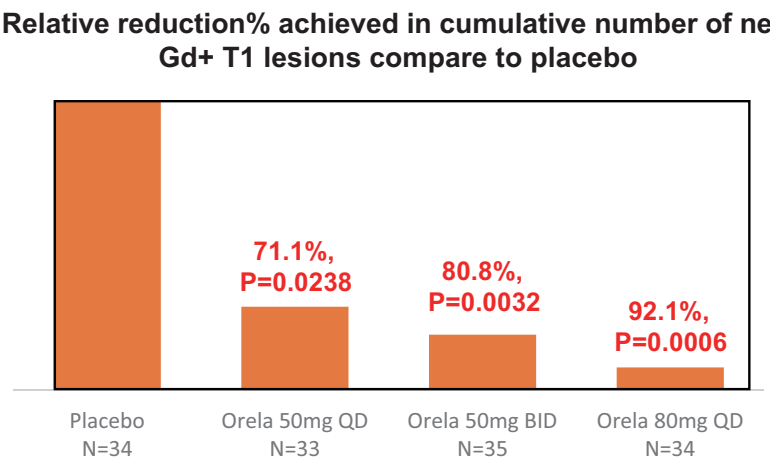
Orelabrutinib for MS

Current Status

We are evaluating Orelabrutinib in MS with a global phase II study. It is a randomized, double-blind, placebo-controlled Phase II clinical study to evaluate the use of Orelabrutinib in patients with relapsing multiple sclerosis ("**RMS**") regarding its efficacy, safety, tolerability, pharmacokinetics and biological activity. The study contains two parts, including a core part and an open-label extension ("**OLE**") part. The Patients with RMS in the core part of the study will be randomly assigned to 1 of 4 groups(placebo, Orelabrutinib 50 mg QD, Orelabrutinib 50 mg BID and Orelabrutinib 80 mg QD) at 1:1:1:1 ratio. The OLE part is an open-label, single treatment arm study to enroll patients who have completed the Week 24 visit in the core part for continued treatment and collect additional long-term safety and efficacy data. The primary outcome measure is the cumulative number of new GdE T1 MRI brain lesions, which intends to evaluate the efficacy of Orelabrutinib on the cumulative number of new gadolinium-enhancing ("**GdE**") T1 magnetic resonance ("**MRI**") brain lesions versus placebo over 12 weeks of treatment.

In the planned interim analysis, a total of 136 patients' data were analyzed. The relative reduction for the cumulative number of new Gd+ T1 lesions within Week 12 as compared with placebo were 71.1% in the Orelabrutinib 50 mg QD group (p=0.0238), 80.8% in the Orelabrutinib 50 mg BID group (p=0.0032), and 92.1% in the Orelabrutinib 80 mg QD group (p=0.0006), which indicated the trend of dose-dependent improvement.

Primary Endpoint – Cumulative Number of New Gd+ T1 Brain Lesions at Week 12



Note: 1CI: Confidence Interval

QD = Once Daily, BID = Twice daily. Percent reduction and p-value estimated from a Poisson regression model with Pearson scale parameter and offset for log number of scans adjusted for baseline number of lesions.

The 24-week results will be available in May, 2023.

Different Molecule' Phase II Study Results in Relapsing Multiple Sclerosis ("RMS")

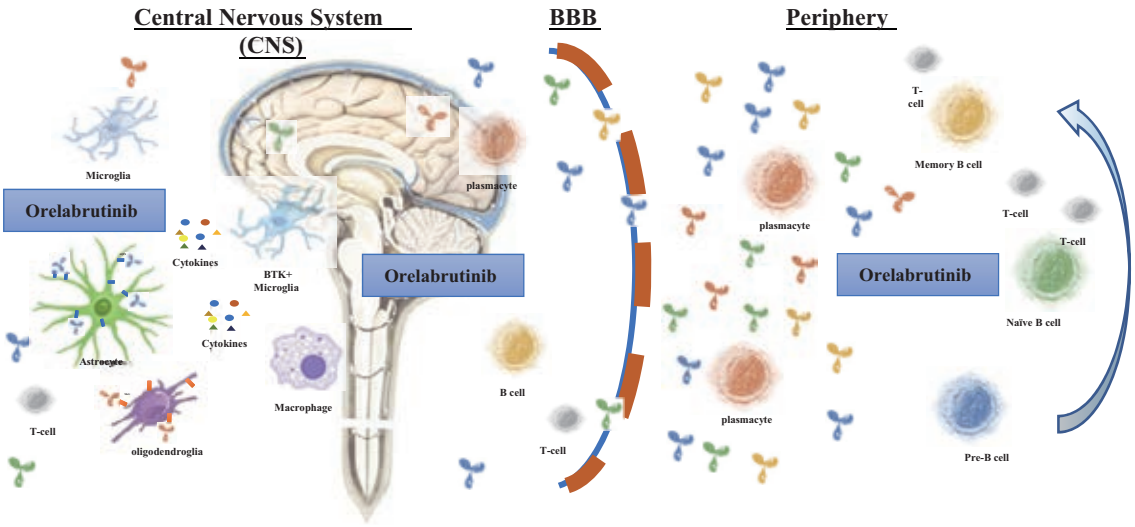
Therapy	Design, Duration[1]	Primary endpoint	Relative Reduction in T1 lesions vs. PBO	Dose	Company
Orelabrutinib BTKi	Placebo-controlled(N = 136), 24Wk + ext	Cumulative Gd+lesions at Wk12	92.1%	80mg QD	InnoCare
Tolebrutinib BTKi	Placebo-controlled for 4Wk, with 12Wk cross-over (N=130), 16Wk + ext	Dose-response for Gd+ lesions at Wk 12	85%(2)	60mg QD	Sanofi
Evobrutinib BTKi	Placebo-controlled + open label DMF (N = 267),24Wk + ext	Cumulative Gd+ lesions at Wk12, 16, 20, and 24	70%(3)	75mg qd (56% at 75mg bid)	Merck KGaA
Ocrelizumab Anti-CD20	Placebo-controlled + Inf-b1a reference arm (N=218), 24Wk + ext	Cumulative Gd+ lesions at Wk 12, 16, 20, and 24	89%(4)	600mg q6mo	Roche
Ofatumumab Anti-CD20	Placebo-controlled (N=231), 24Wk + ext	Cumulative Gd+ lesions at Wk 12	65% (5)(6) 91%(7)	60mg q12w	Novartis
Siponimod S1PR	Placebo-controlled, adaptive, doseranging (N = 297), 6m + ext	Dose-response for CUAL at 3 mo	72%(8)	2mg qd	Novartis
Dimethyl Fumarate	Placebo-controlled(N = 257),24Wk + ext	Cumulative Gd+ lesions at Wk12, 16, 20, and 24	69%(9)	240mg tid	Biogen
Fingolimod S1PR	Placebo-controlled (N = 281), 6m + ext	Cumulative Gd+ lesions monthly for 6 months	61%(10) 88% at mo. 6	5mg qd	Novartis
Teriflunomide	Placebo-controlled (N = 179), 36Wk + ext	# of CUAL per MRI scan	61%(11)	14mg qd	Sanofi

Notes: (1) www.clinicaltrials.gov; (2)Sanofi's R&D held on April 23, 2020;(3) MontalbanX, et al. N Engl J Med 2019; 380:2406-2417;(4) KapposL, et al. Lancet 2011;378:1779-87 (5) Bar-Or A. et al, Neurology 2018;90:e1805-e1814; (6)Endpoint with full data (0-12 Wks) (7) Post hoc data (4-12 wks);(8) Selmaj K, et al Lancet Neurol 2013;12:756-767;(9) Kappos L, et al. Lancet 2008;372(9648):1463-72;(10) Kappos L, et al. N Engl J Med 2006; 355:1124-40;(11) O'Connor P, et al. Neurology 2006;66(6)

Mechanism

MS is a disease in which the body's immune system eats away at the protective sheath that covers the nerves. In MS, the resulting nerve damage disrupts communication between the brain and the body. Multiple sclerosis causes many different symptoms, including but not limited to movement disorder, brain injury, feeling abnormal, visual impairment, language disability, abnormal bowel function, and urinary system abnormalities, etc. The symptoms, severity, and duration can vary from person to person. Some people may be symptom free most of their lives, while others can have severe chronic systems that never go away. Physical therapy and medications that suppress the immune system can help with symptoms and slow disease progression.

Orelabrutinib has the potential to act in both CNS and periphery for demyelinating diseases. Its high target selectivity, good PK profile and BBB penetration capability presents a promising option for treating MS. Based on the PK data of orelabrutinib in lymphoma patients, Orelabrutinib demonstrated superior plasma exposure and brain penetration than other inhibitors of BTK, including evobrutinib and tolebrutinib, at therapeutic dose, indicating Orelabrutinib could achieve deeper and more durable target occupancy in both periphery and CNS than evobrutinib and tolebrutinib.



BTKi	Company	Dose (mg)	Plasma concentration at 2 h (ng/mL)	CSF Conc. ~2h (ng/mL)
Orelabrutinib	InnoCare	150 QD	990	31.3
Evobrutinib	Merck KGaA	75 BID	115	3.21[2]
Tolebrutinib	Sanofi	120 QD	13.4	1.87[1]

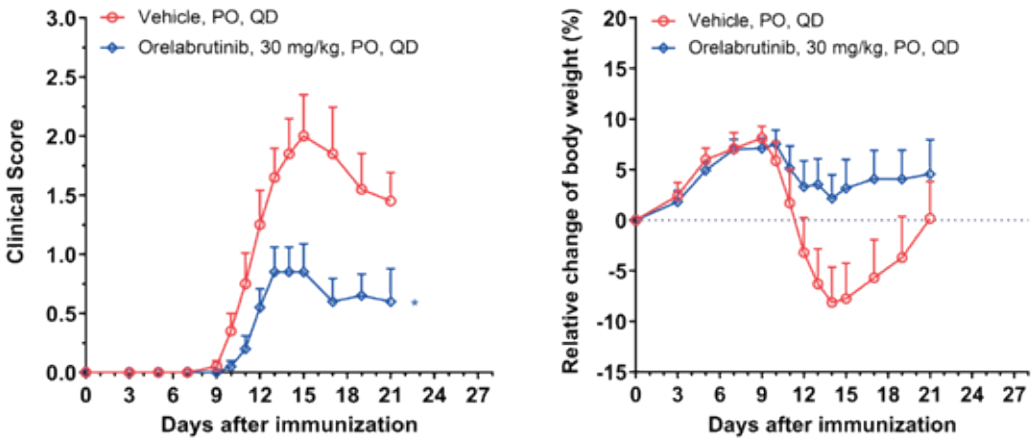
Notes:

1 doi: 10.1016/j.msard.2021.103000

2 Multiple Sclerosis and Related Disorders 51 (2021) 103001 Topic: Advances in therapy in MS; doi: 10.1016/j.msard.2021.103001

Experimental autoimmune encephalomyelitis ("**EAE**") is the most common animal model of human MS as it is especially useful to investigate neuroinflammatory pathways. In the myelin oligodendrocyte glycoprotein ("**MOG**") peptide-induced EAE mouse model, Orelabrutinib reduced EAE severity, as evidenced by decreases in clinical disease score and body weight loss.

Orelabrutinib's Pre-clinical Efficacy in EAE Diseases Progression MS Mouse Model



So far, none of the available DMTs for the treatment of MS is free of potential hepatic toxic effects. Per the consolidation of FDA website information and *Biolato M, Bianco A, Lucchini M, Gasbarrini A, Mirabella M, Grieco A. The Disease-Modifying Therapies of Relapsing-Remitting Multiple Sclerosis and Liver Injury: A Narrative Review. CNS Drugs*. 2021 Aug;35(8):861-880, a total of 26 drugs were approved for the treatment of MS excluding the terminated drug usage. 24 out of 26 drugs' labels contain drug-induced liver function problems. For instance, daclizumab and teriflunomide both contain a black box warning "**liver toxicity**", while the other 22 drugs include warnings or precaution notes i.e., liver injury, liver function impairment, hepatotoxicity, autoimmune hepatitis, HBV reactivation and drug-induced liver injury, etc., with the remaining drug labels contain the adverse effect of liver enzymes elevation.

It is routine to screen and monitor liver function for DMTs. Per *Biolato M, Bianco A, Lucchini M, Gasbarrini A, Mirabella M, Grieco A. The Disease-Modifying Therapies of Relapsing-Remitting Multiple Sclerosis and Liver Injury: A Narrative Review. CNS Drugs.* 2021 Aug;35(8):861-880, the chart below demonstrates the ALT monitor requirement and frequency in relation to a few of the injective treatments, oral treatments, and even infusion treatments.

Agent	Liver function tests screening	ALT monitoring	Data in cirrhotic patients
Injective treatments			
Beta interferon	Yes	After I. 3. 6 months and periodically thereafter	Not available
Glatiramer acetate	No (but suggested)	No	Not available
Oral treatments			
Fingolimod	Yes	After I. 3. 6. 9. 12 months and bimonthly thereafter	Contraindicated in Child C patients
Teriflunomide	Yes	Every 2 weeks for 6 months, then bimonthly	Contraindicated in Child C patients Caution in fatty liver disease
Dimethyl fumarate	Yes	Yes (suggested every 6 months)	Not available
Cladribine	Yes	No	Contraindicated in Child B and C patients
Infusional treatments			
Natalizumab	Yes	Monthly for first 3 months, quarterly thereafter	Not available
Alemtuzumab	Yes	Monthly up to 48 months from last infusion	Not available
Ocrelizumab	Yes	No (but suggested semiannually)	Use only in Child A patients

ALT alanine aminotransferase

Following written notification from the FDA in December 2022 requesting additional data, we are in the progress of providing the relevant information with the aim of lifting the partial clinical hold. On 17 February 2023, the amendments of protocol, IB and ICF for the global Phase II MS clinical trial was submitted to FDA and accepted. We are communicating closely with iDMC and iHAC to furnish the expert opinion and risk and benefit assessment. We will strive to provide more data to FDA in the purpose of resolving the partial clinical on hold for the cases paused in the U.S. sites and further resume other sites.

For a detailed overview of the said FDA relevant information, please see our announcement dated 23 December 2022 published on the website of the Stock Exchange and the Company.

Business Collaboration

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 non-refundable 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 were 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.

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

On 15 February 2023, Biogen has notified us of its decision to terminate for convenience the Collaboration and License Agreement between the parties for the global development and commercialization of Orelabrutinib for the potential treatment of MS and other autoimmune diseases. Following the termination, we will regain all global rights granted to Biogen under the Agreement, including related intellectual property, decision-making regarding research and development, manufacturing, and commercialization, and commercial proceeds generated from Orelabrutinib. The parties will collaborate to complete the transition within 90 days. We welcome Orelabrutinib back to our autoimmune portfolio.

For a detailed overview of the said business collaboration with Biogen of Orelabrutinib, please see our announcement dated 15 February 2023 published on the website of the Stock Exchange and the Company.

In conclusion, with the ability to cross the blood brain barrier, Orelabrutinib has the potential to inhibit B cell and myeloid cell effector functions in the CNS, and may provide a clinically meaningful benefit in all forms of MS. The Phase II MS global OLE part study is ongoing. Given the encouraging clinical outcomes from multiple autoimmune trials, we remain confident and committed to accelerating the global development of Orelabrutinib as a potential best-in-class BTK inhibitor for MS and other autoimmune diseases.

Orelabrutinib for SLE

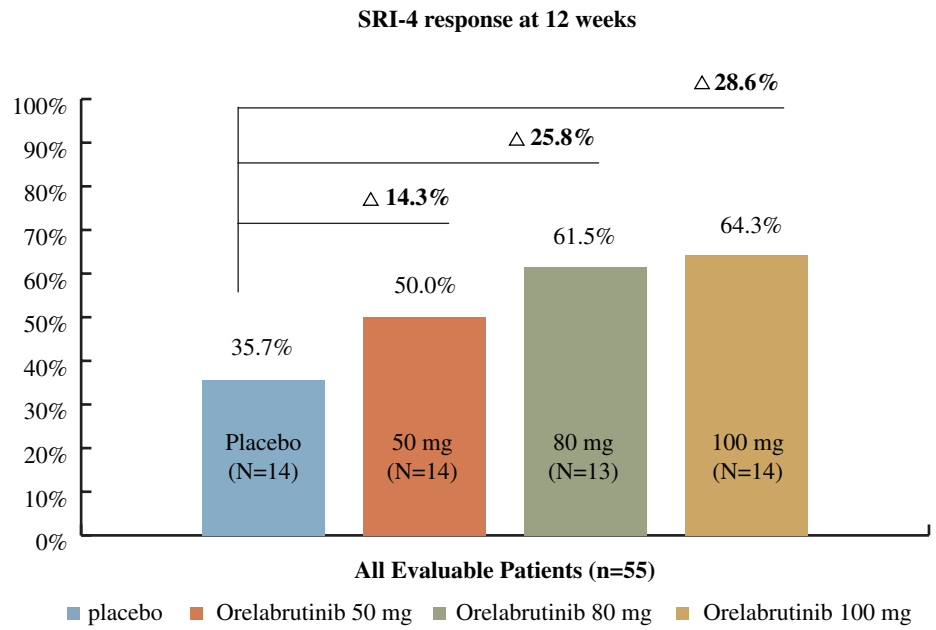
Orelabrutinib inhibits the BCR signaling cascade by binding to BTK, hence preventing the proliferation and activation of B cells in autoimmune diseases. Pre-clinical data demonstrated that Orelabrutinib has dose dependent effects on the improvement of kidney function, the inhibition of arthritis, and 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 which showed positive results. The detailed information was presented through a late-breaking oral presentation at 2022 European Alliance of Associations for Rheumatology ("**EULAR**"). This is a randomized, double-blind, placebo-controlled, dose-finding study aimed to evaluate 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 evaluable patients treated with Orelabrutinib. The SRI-4 response rates at 12-week were 35.7%, 50.0%, 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.

Based on the Phase IIa results, we entered the next stage of clinical development of Orelabrutinib in SLE at the end of 2022. This is a randomized, double-blind, placebo-controlled, multicenter, Phase IIb study evaluating the efficacy and safety of Orelabrutinib in adult patients with SLE. The purpose of the trial is to evaluate the efficacy of Orelabrutinib in SLE subjects and evaluate the safety, tolerability, and impact on the quality of life of subjects with moderate to severe SLE. The patients receiving standard therapy were randomized at a ratio of 1:1:1 to receive oral Orelabrutinib at 25 mg, 50 mg, or placebo once daily, for 48 consecutive weeks. The primary endpoint will focus on the SRI-4 response rate with other secondary points including but not limited to SRI-6 response rate, changing from baseline in complement C3, complement C4, and anti-dsNDA antibody levels, etc.



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 progression 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 that controls the disease activity in SLE patients, and its oral administration should have obvious advantages over commonly used injectable SLE drugs.

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 and good safety profile, has the potential to become a novel treatment option to ITP patients.

Current Status

We entered Phase II clinical trial of Orelabrutinib for the treatment of ITP in mainland China in 2022. This is a randomized, multicenter, Phase II study to evaluate the efficacy and safety of Orelabrutinib in adult patients with persistent or chronic primary ITP and provide a basis for Phase III study design including the dose selection. The primary endpoint will be concentrated on the proportion of subjects with platelet count 50×10^9/L (platelet count should be detected at least twice consecutively, with an interval of at least 7 days).

As of cut-off date on 6 February 2023, the data from 22 patients with previous response to glucocorticoids ("**GC**") or intravenous immunoglobulin ("**IVIG**") were analyzed: 75.0% (6 out of 8) patients at the 50 mg arm achieved the primary endpoint. For the overall population, 36.4% (12 out of 33) patients met the primary endpoint, while 40% (6 out of 15) from the 50 mg arm.

The Phase II favorable data demonstrated proof of concept of Orelabrutinib in ITP and provided us certain confidence to move the project forward.

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 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 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 such as Orelabrutinib hold high potential to become a novel therapy for NMOSD.

Current Status

As of the date of this report, one investigator initiated ("**IIT**") Phase II trial is ongoing, and we plan to initiate InnoCare sponsored trial when we obtain the primary results.

T Cell Pathway – TYK2 for Autoimmune Diseases

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**"), THl, 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, AD, 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 nonselective JAK inhibitors. Thus, by selective inhibition of TYK2, ICP-332 may become a potential therapy for multiple autoimmune diseases, such as atopic dermatitis, psoriasis, psoriatic arthritis, systemic lupus erythematosus, IBD, dermatomyositis and uveitis, with better safety profiles.

According to the source of Pharma Intelligence, atopic dermatitis has become a major autoimmune disease with 12 months prevalence in the range of 0.96–22.6% in children and 1.2–17.1% in adults, indicating a global market potential of US$10 billion in 2030. With tremendous potential to address the massive unmet needs in the above-mentioned indications which have millions of patients, we anticipate ICP-332 would become the cornerstone product in our autoimmune franchise.

Current Status

On 18 May 2021, CDE 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 March 2022. Based on the data of safety, PK/PD, and biomarkers with no significant decrease of platelet and hemoglobin (JAK-2 related AE) in the Phase I study, we initiated Phase II study in AD in China, which is a randomized, double-blind, placebo-controlled, multicenter trial to evaluate the safety, efficacy, pharmacokinetics, and pharmacodynamics in patients with atopic dermatitis.

In early 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.

ICP-488

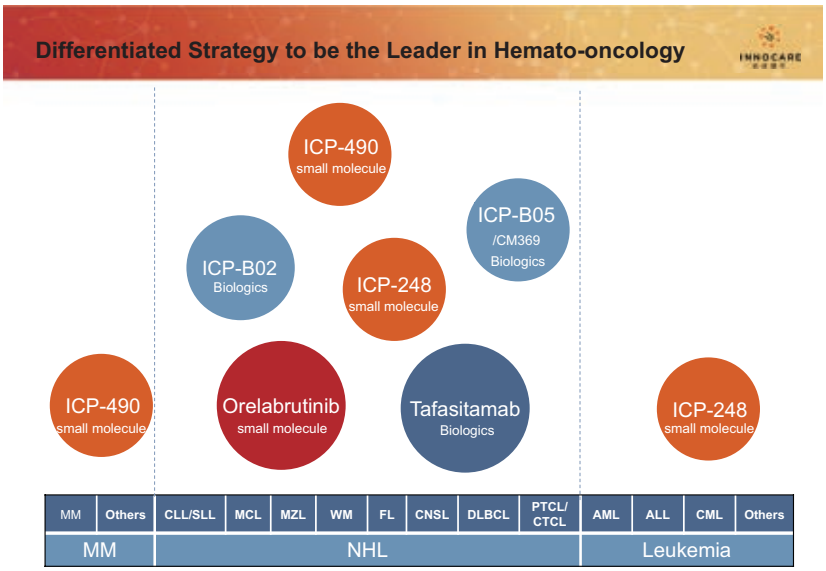
ICP-488 is a small molecule inhibitor of the pseudo kinase domain JH2 of TYK2. JH2 has an important regulatory role in TYK2 kinase catalytical activity, and mutations in JH2 have been shown to be the cause of or be linked with impaired TYK2 activity. ICP-488 is a potent and selective TYK2 allosteric inhibitor that, by binding to the TYK2 JH2 domain, blocks IL-23, IL12, type 1 IFN and other autoimmune cytokine receptors. We intend to develop ICP-488 for the treatment of autoimmune diseases such as psoriasis, psoriatic arthritis, SLE, LN, and IBD, etc. Together with ICP-332, ICP-488 will further enrich our TYK2 portfolio.

The first subject was dosed in August 2022 and the patient's enrollment of the Phase I trial is ongoing in China as of the date of this report. The single ascending doses ("**SAD**") part with dose range from 1 mg to 36 mg, two cohorts of multiple ascending doses ("**MAD**") have been completed. Patients with psoriasis will be treated at selected doses. As the date of announcement, ICP-488 is safe and well-tolerated in patients.

BUILDING A LEADING FRANCHISE IN HEMATO-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 hemato-oncology in China and worldwide by covering non-hodgkin lymphoma ("**NHL**"), multiple myeloma ("**MM**"), and leukemia segments by mono or combo therapy. Further, a particular combination therapy toolkit is well designed and aims to position a full coverage of DLBCL.

We are well underway towards building a leading hemato-oncology franchise to cover MM, NHL and leukemia segments with (i) the core internal developed Orelabrutinib as a backbone therapy, (ii) the U.S. FDA and European Medicines Agency ("**EMA**") approved anti-CD19 antibody Tafasitamab for r/r DLBCL, (iii) multiple pipeline drugs that cover almost all important hemato-oncology targets such as CD20xCD3, BCL-2 and E3 ligase, and (iv) a well-established and focused commercialization platform in China. In hema-oncology franchise, we have well defined a differentiated strategy for DLBCL, which is a comprehensive toolkit including the mentioned core product Orelabrutinib, Tafasitamab, BCL-2 and E3 Ligase that offers us a unique position to tackle all stages of all DLBCL patients with combination therapies. Particularly, we pursue to leverage Orelabrutinib for the challenge 1L DLBCL subtype MCD as the initial step and utilize the Tafasitamab plus lenalidomide or additional combination therapy with Orelabrutinib for the r/r DLBCL.



NHL – indolent lymphoma

Orelabrutinib for Hema-oncology Diseases

As of at the date of this report, we have dosed over 850 patients across all of our clinical trials of oncology and autoimmune diseases for Orelabrutinib. Besides the NDA approval of r/r CLL/SLL and r/r MCL, we obtained NDAs acceptance for 2 more indications, one of which is under the CDE's priority review and the other has completed the site inspection. In addition, 5 more registrational trials are ongoing in China and U.S. At the end of 2022, r/r MCL has been approved to be launched in Singapore. 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 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 51 sites in China, and more than two third of the subjects were enrolled. Interim analysis is designed for early efficacy readout.

Orelabrutinib for r/r CLL/SLL

This is an open-label, multicenter, Phase II study to evaluate the safety and efficacy following 150 mg daily oral administration of Orelabrutinib in r/r CLL/SLL patients. A total of 80 patients with r/r CLL/SLL were enrolled. According to the data of 30 December 2022, the median follow-up time was 47 months, with 56.2% remaining on treatment. The ORR was 93.8% with 30% 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 48-month DOR and PFS were 56.2% and 52.7%, respectively by investigator assessment. Orelabrutinib showed a significant higher CR rate in r/r CLL/SLL in comparison with other BTK inhibitors at a similar median follow-up period. Long term follow up did not suggest any safety signal other than the ones observed previously. Similar to the previously reported safety results, most AEs were mild to moderate.

In the U.S., we are evaluating the efficacy and safety of Orelabrutinib for the treatment of r/r CLL/SLL. In the second half of 2022's report, we disclosed that four subjects who had received prior therapies including but not limited to ibrutinib, Gazyva, FCR (Rituximab, Fludarabine, Cyclophosphamide) and lenalidomide, etc. and due to the toxicity or disease progression issues, the prior BTKi treatments were discontinued. The four subjects were treated with Orelabrutinib for a range from 7.16 to 11.07 months. Three of them reached PR/PR-L while the other one reached SD after the 3 cycles treatment. In the evaluable patients, the ORR was 75% while the DCR is 100%, suggesting Orelabrutinib is effective and tolerable in prior BTKi intolerant or relapsed CLL/CLL patients.

Orelabrutinib for 1L MCL

This is a randomized, open-label, multicenter, 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 PFS evaluated by the IRC according to the 2014 International Working Group Criteria for Non-Hodgkin Lymphoma ("**iwNHL**"). As of the date of this report, the study is recruiting patients in 22 active sites in China.

Orelabrutinib for r/r MCL

A Phase II open-label, multicenter, the 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 39.43 months.

The efficacy results were evaluated by investigators. According to the protocol analysis, among the 106 patients, 83% ORR and 87.8% disease control rate were achieved. The CR-rate was 36.8% when measured with the conventional computerized tomography ("**CT**") method.

For Orelabrutinib 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. These results suggested that safety events primarily occurred during early stage of treatment and appeared less frequently with continued Orelabrutinib treatment.

In the U.S., enrollment for global Phase II registrational trial for r/r MCL was completed. Orelabrutinib has been granted breakthrough therapy designation ("**BTD**") by FDA and will take accelerated development path in the U.S. We have demonstrated similar efficacy and safety profile for Orelabrutinib in r/r MCL patients from US, China and other countries.

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 aims 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 24.90 months, MRR was 80.9% as assessed by investigator. ORR was 91.5%. The estimated 12-month DOMR was 84.9%. The estimated 12-month PFS was 81.2%. The median PFS has 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. The study result was published at Lancet eClinicalmedicine in 2022.

Orelabrutinib for r/r MZL

This is a phase II, multicenter, open-label study to evaluate the safety and efficacy of Orelabrutinib 150 mg daily in patients with r/r MZL. As of October 8, 2022, 111 subjects have been treated with Orelabrutinib, of whom 90 subjects were confirmed with MZL by central pathological review. Among the 90 subjects with r/r MZL, 53 patients achieved remissions (PR:43; CR:10), and the ORR was 58.9% (95%CI: 48.0, 69.2) assessed

by independent review committee ("**IRC**"). All reached the pre-set primary endpoints. The median duration of response ("**DOR**") was 34.3 months (95% CI: NA, NA). The median progression-free survival ("**PFS**") and overall survival ("**OS**") were not reached. The estimated 12-month PFS and OS were 82.8% and 91%, respectively by IRC assessment. Orelabrutinib showed higher ORR, CR rate and estimated PFS and OS rates in r/r MZL compared with ibrutinib at a similar median follow-up period.

The priority review was granted by CDE to the study in 2022. The NDA is under CDE's review. Orelabrutinib is the first BTK inhibitor to apply the r/r MZL indication in China. It is expected to be approved in the first half of 2023.

NHL – aggressive lymphoma/DLBCL

Orelabrutinib for 1L DLBCL-MCD Subtype

We have clearly defined our differentiated strategy for DLBCL, the largest subtype of NHL with more than 1 million patients in the worldwide and initiated our challenge to 1L DLBCL by selecting MCD subtypes. 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. The study is currently recruiting in 45 sites in China.

Approximately 40% DLBCL patients will eventually become refractory/relapsed. To that, the heterogeneous genetic aberration background is considered 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-KB activation which indicates this patient sub-group might respond well to BTK inhibitors. The pre-clinical model has also demonstrated 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. Improved safety profile due to high kinase selectivity also made Orelabrutinib a better candidate in combination therapies. 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.

The real-world data regarding Orelabrutinib in combination with R-CHOP for MCD DLBCL were posted at American Society of Clinical Oncology ("**ASCO**") in June 2022. Fourteen patients with MCD DLBCL were included in the study. All patients received Orelabrutinib 150 mg once daily. Among them, 8 were treated with R-CHOP or R-EPOCH as first-line therapy, and 6 with RICE, R-CHOP or R2 as second line therapy. The complete response rate ("**CRR**") for the first-line and second-line patients were 75% and 66.67%, respectively. Reported AEs were generally manageable and resolved soon after supportive treatment. The preliminary conclusion is that Orelabrutinib containing regimens demonstrated encouraging efficacy and well-tolerated safety profile among patients with MCD subtype DLBCL. A large-scale prospective registrational clinical study is in progress, which could offer a new potential therapeutic option for patients with MCD subtype DLBCL.

Further, a comprehensive toolkit including Orelabrutinib, Tafasitamab (CD19), ICP-B02 (CD3xCD20) and, ICP-490 (E3 Ligase) offers us a unique position to tackle all stages of DLBCL patients with combination therapies. More details of the relevant clinical trials will be narrated in the following pipeline's progress.

Orelabrutinib for Relapsed/Refractory Primary Central Nervous System Lymphoma ("r/r pCNSL")

The survival outcomes of patients with r/r pCNSL remain extremely poor and there are no approved therapies or widely accepted "standard-of-care" approaches. Eight investigator-initiated studies published the results in 2022, showing promising data of Orelabrutinib-based regimens on the newly diagnosed pCNSL ("**ND pCNSL**") and r/r CNSL. The ORR and CR rate of Orelabrutinib combined with immunochemotherapy was 88.9% to 100% and 53.9% to 61.8% in patients with newly diagnosed pCNSL, respectively. The vast majority of the patients with ND pCNSL responded well to the combinations of Orelabrutinib and traditional immunochemotherapy with more than half achieving complete remission. The median PFS ("**mPFS**") was not achieved in these studies with a 6-month PFS rate of 63.6% to 100%.

In the relapse/refractory setting, approximately 60% of patients with r/r CNSL achieved remission with an ORR of 60% to 86.7%, and most of those responders achieved complete remission. The mPFS was 9.8 months which was a significant improvement from the historical mPFS of around 3 months.

The patients with enhanced BCR signaling, especially the MYD88 mutation, exhibited superior response, which was consistent with the MOA of Orelabrutinib. Orelabrutinib had such excellent blood-brain barrier ("**BBB**") permeability that 150 mg orally per day led to a median cerebrospinal fluid concentration of 21.6ng/mL and a median BBB permeability rate of 58.6%.

Orelabrutinib combined with immunochemotherapy was tolerable and manageable. The safety profile observed in these studies was consistent with the results in previous clinical trials. No new safety signal has been observed in pCNSL patients so far.

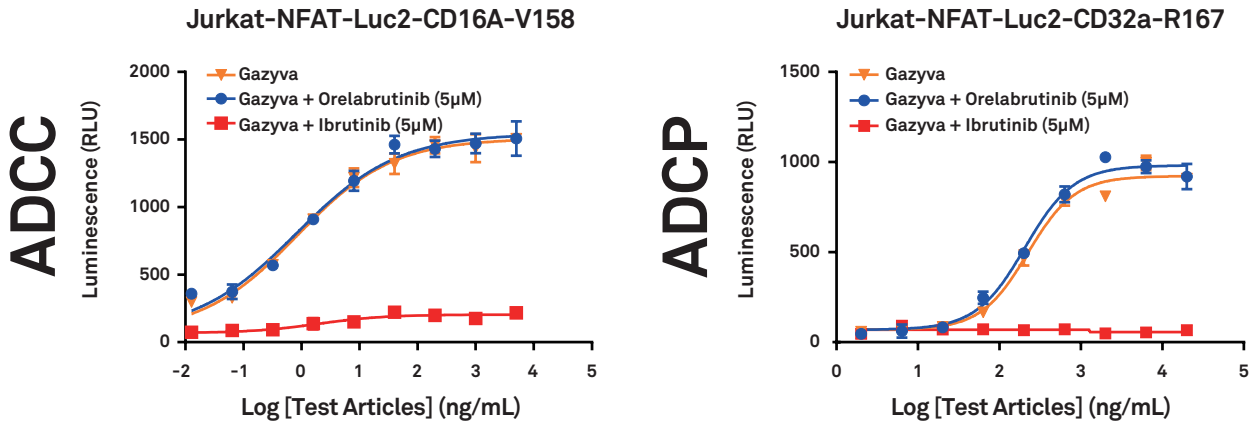
Orelabrutinib Combination Therapies

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/ADCP, and direct apoptosis induction; but also to avoid significant antagonisms of the combo partners. However, the off-target inhibition of BTK inhibitor on interleukin-2 ("**IL-2**")-ITK may lead to compromised effector activity of NK cells and thus 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 Gazyva, retain fully functional ADCC and antibody-dependent cellular phagocytosis ("**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.

BTKi + Gazyva (Obinutuzumab)

(Reporter assays: TMD8 as target cell)



The above chart demonstrated the ADCC and ADCP activities of anti-CD20 antibody Gazyva (obinutuzumab) are well retained by Orelabrutinib, but significantly suppressed by ibrutinib.

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.

We are exploring the combinational therapy of Orelabrutinib with Gazyva, an anti-CD20 antibody, for the treatment of B cell lymphoma. We are also proceeding the combination therapy of Orelabrutinib with Tafasitamab/Lenalidomide Phase II clinical trial in China for the potential treatment for NHL.

ICP-B04 (Tafasitamab)

The 2022 CSCO Guidelines were officially released in the first half of 2022. Tafasitamab in combination with Lenalidomide was officially included as a class II recommended regimen for the treatment of adult patients with r/r DLBCL who are ineligible for ASCT. The Guidelines further explains that patients with r/r DLBCL are recommended to choose other drugs that do not have cross-resistance with CHOP, that is, second-line regimens or individualized regimens.

We obtained approval of the Health Commission and Medical Product Administration of Hainan Province under the early access program in Boao Lecheng International Medical Tourism Pilot Zone. On 22 July 2022, this first prescription of Tafasitamab in combination with lenalidomide was issued under Boao Hope City's early access program. This prescription marks the first application of Tafasitamab in patients in China. Tafasitamab, in combination with lenalidomide is not approved by the National Medical Products Administration (NMPA) for any indication in China, except that the combination has been approved for urgent clinical use in Hainan Province of mainland China and the first patient reached CR after 2 cycles of treatment. In addition, the combination therapy was approved by the Department of Health in Hong Kong in December 2022, and we plan to apply for the prior use in the Greater Bay Area of mainland China. As of the date of this report, Tafasitamab has been included in the overseas special drug list by 18 provinces and cities in mainland China including Shanghai, Hebei, Hainan provinces, and Suzhou city, etc., which improves the accessibility of Tafasitamab to the patients with DLBCL.

The Phase II pivotal trial of Tafasitamab and Lenalidomide combo therapy for the treatment of r/r DLBCL is ongoing to support the approval in mainland China. This is a single-arm, open-label, multicenter Phase II clinical study evaluating the safety and efficacy of Tafasitamab combined with Lenalidomide in the treatment of patients with r/r DLBCL. The primary endpoint is to evaluate the ORR and the evaluation will be conducted by IRC. The secondary endpoints are DCR, DoR, PFS, time to progression ("**TTP**"), time to response ("**TTR**"), OS and safety, etc. As of the date of this report, the recruitment is ongoing in 24 active cities in mainland China. The first patient was enrolled in September 2022, and we endeavor to speed up the patient's enrollment in 2023.

Tafasitamab offers the possibility and flexibility in combination with Orelabrutinib and our other assets for the treatment of B-cell malignancies. DLBCL, which is the largest subtype, takes up approximately 40% of NHL patients. According to Frost & Sullivan report, it is estimated that DLBCL market would probably be able to expand from US$5.9 billion in 2023 to US$11.9 billion in 2023. For example, we are exploring synergistic combination to target NHL/DLBCL with Tafasitamab and Lenalidomide and Orelabrutinib in mainland China.

In the second half of 2021, we entered into a collaboration and license agreement with Incyte for the development and commercialization of Tafasitamab, a humanized Fc-modified cytolytic CD19 targeted immunotherapy, 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 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 was the first 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 targeted immunotherapy has the potential to become another fundamental therapy for B-NHL. In RE-MIND2 trial, a retrospective cohort analysis, Tafasitamab plus lenalidomide demonstrated significant improvement in overall survival and objective response rate compared to R2 regimen.

We paid Incyte US$35 million upfront fee 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 on-going 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 targeted immunotherapy, is critical to solidifying our long-term strategy of developing a leading hematology 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 and the Company.

ICP-B02 (CM355)

ICP-B02 is a CD20xCD3 bispecific antibody co-developed with KeyMed for the treatment of lymphoma as monotherapy or in combination with other therapies. 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 via a 50:50 joint venture that was formed in August 2018 for the discovery, development, and commercialization of biologic drugs. In June 2020, we entered into a license and collaboration agreement, under which KeyMed granted us an exclusive license for 50% ownership of ICP-B02.

We are conducting a phase I/II clinical trial in China to assess the safety, tolerability, PK, and the preliminary anti-tumor activity of ICP-B02 in r/r NHL. In the Phase I dose escalation study, ICP-B02 was administered intravenously with step-up doses. We have completed the DLT evaluation for the 1st four dose groups, which accelerated titration design was applied to. Currently, the enrollment of the 5th dose group was ongoing, starting from which 3+3 method will be followed. So far, there was no DLTs observed, while almost complete B cell depletion was achieved in patients treated with low dose of ICP-B02. The IND application for ICP-B02 subcutaneous ("**SC**") formulation was approved by the CDE in March 2023.

Multiple Myeloma ("MM")

ICP-490

ICP-490 is a proprietary, orally available, next generation CRBN E3 ligase modulator that modulates the immune system and other biological targets through targeted protein degradation ("**TPD**").

By specifically binding to CRL4CRBN-E3 ligase complex, it induces ubiquitination and degradation of transcription factors including IKZF1 ("**Ikaros**") and IKZF3 ("**Aiolos**"). ICP-490 is much more potent than competitor investigational CRBN E3 ligase modulator and is able to induce a swift and deep degradation of transcription factors Aiolos and Ikaros at sub-nanomolar concentrations. In the in vivo efficacy studies, ICP-490 demonstrated significant anti-tumor effects in various multiple myeloma ("**MM**") and diffuse large B cell lymphoma ("**DLBCL**") xenograft models. It overcomes acquired resistance against earlier generations of CRNB modulators in both in vitro and in vivo preclinical studies. In addition, ICP-490 synergizes with anti-CD38 antibody daratumumab in preclinical assays by enhancing its ADCC activity, thus provides scientific rationales for combinatory treatment in clinic.

As a molecular glue protein degrader, clinically, ICP-490 may be used for the treatment of patients with multiple myeloma, DLBCL and other non-Hodgkin lymphomas as monotherapy or in combination with other therapies autoimmune diseases such as systemic lupus erythematosus. ICP-490 has immense potential in hemato-oncology field, including displacing current IMiDs in early-line treatments for MM and combining broadly with existing stand-of-care therapies for the treatment of both MM and NHLs.

The IND application for oncology indications was approved by the CDE in July 2022 and the Phase I dose escalation study is ongoing.

Leukemia

ICP-248

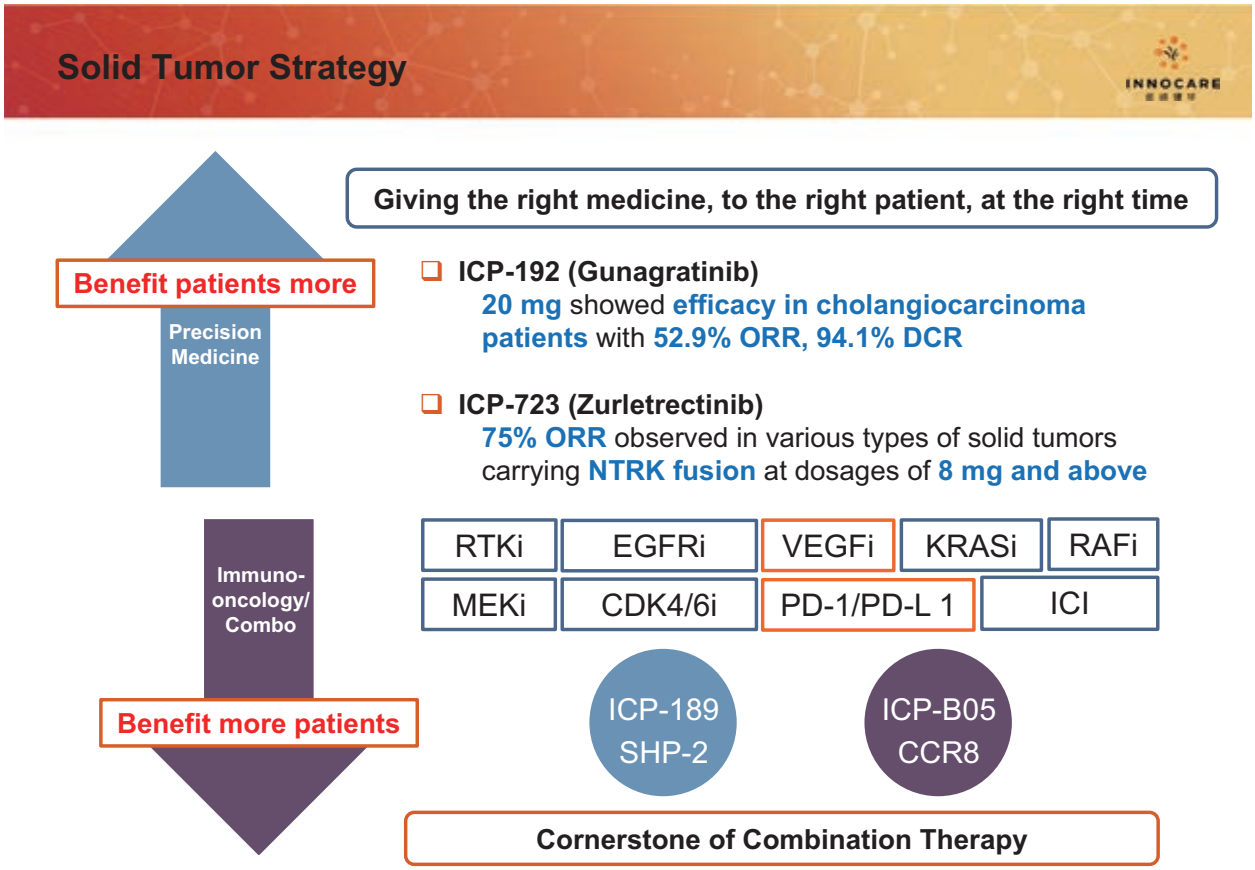
ICP-248 is a novel, orally bioavailable B-cell lymphoma-2 ("**BCL-2**") selective inhibitor. BCL-2 is an important part of apoptotic pathway and is overexpressed in a variety of hematologic malignancies. BCL-2 inhibitors have shown anti-tumor effects by activating the endogenous mitochondrial apoptosis 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. Since BCL-2 inhibitor's market grew by 10% in 2022 to more than US$2 billion, we expect ICP-248 would have extraordinary blockbuster potential.

The IND application for ICP-248 was approved by the CDE in September 2022 and we have entered the Phase I trial in the end of 2022. This is an open-label, multicenter, Phase 1 dose escalation and dose expansion study to evaluate the safety and preliminary efficacy of ICP-248 in r/r B-cell malignancies in China, mainly including r/r CLL/SLL and r/r MCL. The leading site of ICP-248 has been activated. The study result would support ICP-248 combo with Orelabrutinib in the CLL/SLL frontline development. As of the date of this report, the first patient was enrolled.

BUILDING A COMPETITIVE DRUG PORTFOLIO FOR SOLID TUMOR TREATMENT IN CHINA AND WORLDWIDE

To benefit patients more, we strived to expanding the breadth of our pipeline covering solid tumor diseases areas through the precision medicine philosophy and intend to provide the right medicine to the right patient at the right time. 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.

To benefit more patients, our rapidly maturing early-stage pipeline including the cornerstone therapy ICP-189 and ICP-B05, and ICP-033 of immune-oncology and tumor driver genes treatments should enable us to provide a competitive treatment solution for a large array of solid tumors for both China and global patients.



Precision medicine, sometimes known as "personalized medicine" is an innovative approach to tailoring disease prevention and treatment that takes into account differences in people's genes, environments, and lifestyles. For the vision and mission of "benefiting patients more" via precision medicine and "benefiting more patients" via immunology-oncology platform, 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 therein, while our rapidly growing and maturing cornerstone of combination therapy that builds on ICP-189 and ICP-B05 for targeting novel targets such as SHP2 and CCR8 with additional early-stage pipeline including but not limited to ICP-033 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.

ICP-192 (Gunagratinib)

Gunagratinib is a potent and highly selective pan-fibroblast growth factor receptors ("**pan-FGFR**") inhibitor that we are developing for the treatment of various types of solid tumors. Studies have shown that mutations and aberrant activation of FGFRs 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.

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.

In the middle of January 2023, we presented the ICP-192 data from an ongoing Phase IIa dose-expansion study of Gunagratinib in patients with cholangiocarcinoma ("**CCA**"). 18 CCA patients were enrolled, and 17 patients had at least one tumor assessment. The Median follow-up was 5.57 months. The ORR was 52.9% (9 out of 17) and the DCR was 94.1% (16 out of 17). The median progression free survival ("**mPFS**") was 6.93 months (95% CI, 5.42-not reached) (not mature at cutoff). No patient discontinued treatment due to TRAE and there was no treatment-related death. Thus, Gunagratinib is safe and well-tolerated with high response rate (52.9%) compared to other approved FGFR inhibitors in previously treated patients with locally advanced or metastatic CCA harboring FGR2 gene fusions or rearrangements.

Gunagratinib is currently undergoing several Phase I/II clinical studies in China, the U.S, and Australia. We entered registrational trial in cholangiocarcinoma in China at the end of 2022 and the Phase II trial in urothelial cancer in China is still progressing. The primary analysis showed the ORR was 44.4% (4 out of 9) and the DCR was 88.9% (8 out of 9) in treatment of urothelial cancer phase II trial. Besides, we are also conducting a basket trial including gastric and head and neck cancer in China, Australia, and the U.S.

ICP-723 (Zurletrectinib)

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 rapid and durable responses in patients with TRK gene fusions, however, can develop 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. ICP-723 also potently inhibits ROS1 activity and ROS1 fusion-driven tumor growth which was demonstrated in both in vitro cellular assay and in vivo animal model studies.

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 NTRKl, 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. C-Ros Oncogene 1 (ROS1) is a receptor tyrosine kinase that has been shown to undergo genetic rearrangement in a variety of human cancers at variable frequencies. ROS1 fusion-positive NSCLCs are the most common of these cancers in terms of the absolute number of patients given the high incidence of NSCLCs relative to that of other malignancies.

Current Status

We are currently conducting a Phase I/II clinical trial in China to assess the safety, tolerability, and PK, the preliminary anti-tumor activity of ICP-723 in adult and adolescent patients with advanced solid tumor harboring NTRK/ROS1 gene fusion. In June at 2022 ASCO, we reported detailed information about this trial. This is a multicenter, open-label Phase I/II clinical trial, which includes a Phase I dose escalation part and a Phase II dose expansion part. In the Phase I dose escalation, patients with advanced solid tumor, who failed from clinical standard of care or for whom there was currently no effective therapy, were enrolled. The Phase II expansion is conducted in patients with NTRK fusion positive or ROS1 fusion positive, including who developed acquired resistance to first-generation TRK or ROS1 inhibitors.

In the Phase I dose escalation study, dosage has been escalated up to 24 mg with no DLT observed. The Phase II dose expansion study is ongoing with RP2D being determined as 8 mg in preliminary. As of 30 December 2022, 75% ORR (9 PR in 12 patients) was observed in adult patients with various cancers carrying NTRK fusion at different dosages, among which 77.8% ORR (7 PR in 9 patients) was observed at 8 mg. Among the 6 evaluable patients with ROS1 fusion, the ORR was 50%. Most subjects achieved response at the first tumor assessment. In the adolescent arm, there was one subject enrolled at the dosage of 4 mg, who achieved confirmed PR with no DLT observed.

The IND submission for additional pediatric population (<12 years old) was accepted by CDE in January 2023. Further, we submitted EoP2 communication with CDE to initiate registrational trial in January 2023.

ICP-189

ICP-189 is a potent oral allosteric inhibitor of SHP2 with reliable selectivity over other phosphatases. It is being developed for the treatment of solid tumors as a potential cornerstone therapy in combinations with other antitumor agents. SHP2 is a key upstream regulator of the RAS–MAPK pathway and thus plays an essential role in the signaling by multiple oncogenic driver kinases, as well as a key signal transducers of PD-1 signaling, making SHP2 inhibitor an ideal partner for combination with multiple targeted and checkpoint therapies.

In preclinical in vivo efficacy studies, ICP-189 demonstrated significant anti-tumor effects in various xenograft models as monotherapy. ICP-189 has also shown preliminary promising activity in combination with a range of targeted therapies and immunotherapies, including inhibitors of EGFR, KRAS, MEK and PD-1, in preclinical studies.

We are conducting a Phase Ia dose escalation study to evaluate the safety, tolerability and pharmacokinetics and preliminary anti-tumor activity of ICP-189 in patients with advanced solid tumors in China. As of 8 February 2023, dosage has been escalated up to 40 mg with no DLT observed. There were no ≥ G3 TRAEs and SAEs. Preliminary efficacy was observed in ICP-189 monotherapy. 1 patient with cervical cancer in 20 mg dose cohort achieved confirmed PR. ICP-189 demonstrated favorable PK profile and long half-life. The exposure of ICP-189 is much higher than that of competitors at the same dose level. Multiple ICP-189 combinations, including treatment with third-generation EGFR inhibitor in lung cancer and anti-PD-1 antibody in multiple cancer types, will be explored clinically in the phase Ib trial and the collaborations with potential partners for combination study are under discussion.

As of the date of this report, the IND approval of ICP-189 was granted by the FDA for initiating clinical trial in the U.S.

ICP-B05 (CM369)

ICP-B05 is an anti-C-C motif chemokine receptor 8 ("**CCR8**") monoclonal antibody, a potential first-in-class drug codeveloped 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**"). ICP-B05 binds to CCR8 on Tregs and eradicates immunosuppressive Tregs through ADCC to augment the anti-tumor immunity in TME while preserving peripheral homeostasis. ICP-B05 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.

In August 2022, the IND approval of ICP-B05 was granted by CDE for initiating clinical trial in China. We are conducting a non-randomized, open-label, multicenter, phase I clinical trial to evaluate the safety, tolerability, pharmacokinetic characteristics, and efficacy of ICP-B05 in subjects with advanced liquid and solid tumors. The first patient of the dose escalation study was dosed in February 2023. We will explore the combination of ICP-B05 with other immunotherapies including immune checkpoint inhibitors in various cancer indications after collecting the safety data of monotherapy.

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. Preclinical 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.

As of the date of this report, ICP-033 Phase I trial is ongoing in China.

Beside the above-mentioned three focused therapeutics areas, with a proven record 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, XDC, molecule glue, etc.

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

MANUFACTURING

Guangzhou Manufacturing Facility

Our 50,000 m^2 small molecule in-house Guangzhou manufacturing facility ("**Guangzhou Base**") complies with GMP requirements of the U.S., Europe, Japan and China, and have an annual production capacity of one billion pills. We have successfully obtained a manufacturing license for the facility.

On 30 June 2022, we received the approval from the China NMPA to begin the production of commercial supply of our self-developed BTK inhibitor, Orelabrutinib at the Guangzhou Base. In August 2022, the first batch of Orelabrutinib manufactured at the Guangzhou small molecule production facility was released to the commercial market.

Improving the solubility of poorly soluble drugs has become a focus and challenge in the research and development of innovative drug formulation. Our Guangzhou Base has built a technical platform to solve such problems, including the establishment of international advanced production lines of spray dried solid dispersion and solid dosage forms, and equipped with three major technology platforms, namely the solubilization preparation technology for poorly soluble drugs, the release preparation technology for oral solid dosage forms and the targeted drug delivery technology, thereby solving the common problems faced by the industry. Our solid dispersion technology is the core technology in the solubilization process, which can accelerate the solubility and dissolution rate of poorly soluble drugs, thus improving the bioavailability of drugs and better catering for the needs of the development and production of new drugs.

Additionally, the progression of second and third phases of constructions are well planned. Currently, we are expanding 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 to provide sufficient capacity for our growing and maturing drug pipeline and to support our continued business expansions.

Beijing Manufacturing Facility

We established a large molecules CMC pilot facility which intends entering operation phase for early clinical supplies in Changping, Beijing. Meanwhile, a 70,381 m^2 land in Beijing next to our Company headquarter inside the Life Science Park was designed to build a landmark R&D center and large molecule production facility. In August 2022, we kicked off the ground-breaking for the construction and expect it to be completed in 2025.

OTHER CORPORATE DEVELOPMENTS

The RMB Shares of the Company have been listed and become available for trading on the STAR Market since 21 September 2022 and successfully raised fund of approximately RMB2,919 million. For details, please refer to the announcement of the Company dated 20 September 2022.

IMPACT OF THE COVID-19 OUTBREAK

Since the outbreak of the novel coronavirus ("**COVID-19**") in early 2020, the Company has adopted immediate measures to maintain effective and high-quality level of operation. Although we experienced some delays in the patient enrollment process and data entry for certain of our clinical trials in China at the beginning of the COVID-19 pandemic, there has not been any material disruption of our ongoing clinical trials. Since early 2022, the government implemented different levels of COVID-zero policy in different regions in mainland China. We took various adaptive measures, including but not limited to reducing face-to-face meetings by means of telephone or virtual conferences, avoiding unnecessary travels, which resulted in no significant impact on commercialization or sales. Since November 2022, the government started to ease various COVID-19 restrictions, and we have started to ease the afore-mentioned measures since December 2022.

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, product sales and business operation has not experienced any material disruption since the outbreak of COVID-19. We have not experienced and currently do not expect any material regulatory delays in respect of our clinical trials or any long-term impact on our operation or deviation from our overall development plans due to the COVID-19 pandemic. We have not experienced any material impact from COVID-19 on the progress, status or filing update of our ongoing research and clinical activities.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2023, Biogen notified the Company of its decision to terminate its license and collaboration agreement with InnoCare for orelabrutinib, an oral small molecule BTK inhibitor for the potential treatment of MS along with the research and development services. Following the termination, the Company will regain all global rights granted to Biogen, including related intellectual property, decision-making regarding research and development, manufacturing, and commercialization, and commercial proceeds generated from orelabrutinib. The Company and Biogen will collaborate to complete the transition within 90 days.

FINANCIAL REVIEW

Revenue

	Year Ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Revenue from continuing operations				
Net sales of drugs	**566,755**	**90.6**	214,666	20.6
Research and development services	**58,649**	**9.4**	52,404	5.0
Business collaboration	**–**	**–**	775,963	74.4
Total Revenue	**625,404**	**100.0**	1,043,033	100.0

Our revenue decreased from RMB1,043.0 million for the year ended 31 December 2021 to RMB625.4 million for the year ended 31 December 2022. Sales of drugs revenue increased by RMB352.1 million or 164.0% to RMB566.8 million, as compared to the year ended 31 December 2021. Business collaboration revenue decreased from RMB776.0 million for the year ended 31 December 2021 to nil for the year ended 31 December 2022.

Gross Profit and Gross Profit Margin

	Year Ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Sales of drugs	**471,170**	**97.8**	191,008	19.5
Research and development services	**10,837**	**2.2**	10,395	1.1
Business collaboration	**–**	**–**	775,963	79.4
	482,007	**100.0**	977,366	100.0

As a result of the foregoing, our gross profit decreased from RMB977.4 million (gross profit margin: 93.7%) in 2021 to RMB482.0 million (gross profit margin: 77.1%) in 2022.

Segmental Information

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

Other Income and Gains

Our other income and gains decreased from RMB217.9 million for the year ended 31 December 2021 to RMB198.2 million for the year ended 31 December 2022, primarily attributable to (i) foreign exchange gain from RMB57.1 million in 2021 to nil in 2022; (ii) an increase of RMB8.4 million in investment income from the investments in wealth management products from RMB0.07 million in 2021 to RMB8.5 million in 2022; (iii) RMB29.9 million increase in recognized government grants from RMB16.3 million in 2021 to RMB46.2 million in 2022; and (iv) RMB1.8 million increase in the interest income from RMB135.1 million in 2021 to RMB136.9 million in 2022.

Research and Development Expenses

Our research and development costs decreased from RMB721.6 million for the year ended 31 December 2021 to RMB639.1 million for the year ended 31 December 2022, primarily due to the decrease in license-in expense. Other increase in research and development costs were mainly due to continuous advancement of R&D process leading to increasing pre-clinical, clinical trial costs and talent reserve of R&D team.

	Year Ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
License-in and collaborative R&D expenses	2,490	0.4	273,026	37.8
Direct clinical trial and third-party contracting cost	196,826	30.8	167,589	23.2
Employee cost	223,095	34.9	136,923	19.0
Share-based compensation	58,164	9.1	39,428	5.5
Depreciation and amortization	43,083	6.7	21,837	3.0
Others	115,481	18.1	82,781	11.5
Research and development costs	639,139	100.0	721,584	100.0

(i) RMB270.5 million decrease of license-in and collaborative R&D expenses from RMB273.0 million to RMB2.5 million;

(ii) RMB29.2 million increase of direct clinical trial and third party contracting cost from RMB167.6 million to RMB196.8 million;

(iii) RMB86.2 million increase of R&D employees cost from RMB136.9 million to RMB223.1 million;

(iv) RMB18.8 million increase of share-based compensation from RMB39.4 million to RMB58.2 million;

(v) RMB21.3 million increase of depreciation and amortisation from RMB21.8 million to RMB43.1 million; and

(vi) RMB32.7 million increase of other R&D expenses such as trial materials, consumables and energy, etc., from RMB82.8 million to RMB115.5 million.

Administrative Expenses

Our administrative expenses increased from RMB139.8 million for the year ended 31 December 2021 to RMB181.6 million for the year ended 31 December 2022, primarily attributable to (i) an increase in employee expense of our administrative personnel from RMB47.0 million to RMB78.0 million; (ii) an increase in depreciation and amortization from RMB3.6 million to RMB11.3 million mainly caused by addition of the property, plant and equipment and other intangible assets; (iii) the increase of the taxes and surcharges from RMB1.4 million to RMB6.9 million because of more payment of VAT; and (iv) increase of other administrative expenses from RMB9.2 million to RMB15.8 million as the company has grown in size.

	Year Ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Employee cost	**78,008**	**43.0**	46,964	33.6
Share-based compensation	**34,357**	**18.9**	43,017	30.8
Professional fees	**35,159**	**19.4**	35,563	25.4
Depreciation and amortisation	**11,297**	**6.2**	3,637	2.6
Taxes and surcharges	**6,895**	**3.8**	1,392	1.0
Others	**15,840**	**8.7**	9,242	6.6
Administrative Expenses	**181,556**	**100.0**	139,815	100.0

Selling and Distribution Expenses

Selling and Distribution expenses increased from RMB298.5 million for the year ended 31 December 2021 to RMB438.6 million for the year ended 31 December 2022, primarily attributable to advancing our commercialization of Orelabrutinib, including (i) an increase in market research and market promotion from RMB126.5 million to RMB219.4 million; and (ii) an increase in employee expense of our sales and marketing personnel from RMB100.7 million to RMB143.1 million.

	Year Ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Market research and market promotion	**219,422**	**50.0**	126,462	42.4
Employee cost	**143,105**	**32.6**	100,712	33.7
Share-based compensation	**36,956**	**8.5**	43,999	14.7
Others	**39,128**	**8.9**	27,290	9.2
Selling and Distribution Expenses	**438,611**	**100.0**	298,463	100.0

Other Expenses

Other expenses was mainly the foreign exchange loss, which changed to an unrealized loss of RMB290.6 million for the year ended 31 December 2022 from a gain of RMB57.1 million for the year ended 31 December 2021, due to USD appreciation against RMB when exchanging our overseas company's RMB balance to its functional currency USD.

Fair value changes of convertible loan

Our fair value changes of convertible loan with Guangzhou Kaide changed from a loss of RMB51.0 million for the year ended 31 December 2021 to a gain of RMB3.4 million for the year ended 31 December 2022.

Share of losses of joint ventures

Our share of losses of joint ventures was RMB9.7 million for the year ended 31 December 2022 comparing to RMB0.6 million for the year ended 31 December 2021, primarily due to increase in share of the losses of joint ventures during the period.

Finance Costs

Our finance costs increased from RMB2.6 million for the year ended 31 December 2021 to RMB17.0 million for the year ended 31 December 2022, primarily attributable to increase of discounting interest cost with new additional right-of-use assets and other current liabilities.

Income Tax

Our income tax was nil for the year ended 31 December 2022, compared to that expense of RMB46.6 million for the year ended 31 December 2021, mainly attributable to the decrease of business collaboration.

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	
	2022	2021
	RMB'000	RMB'000
CURRENT ASSETS		
Trade receivables	**127,825**	45,273
Prepayments, other receivables and other assets	**95,344**	116,145
Inventories	**65,322**	9,918
Financial assets at fair value through profit or loss	**313,290**	317,059
Cash and bank balances	**8,697,927**	5,928,716
Total current assets	**9,299,708**	6,417,111
CURRENT LIABILITIES		
Trade payables	**118,597**	84,602
Contract liabilities	**4,242**	6,831
Other payables and accruals	**727,552**	204,886
Deferred income	**7,757**	12,647
Lease liabilities	**20,112**	20,336
Convertible loan	**1,197,168**	–
Total current liabilities	**2,075,428**	329,302
NET CURRENT ASSETS	**7,224,280**	6,087,809

We had net current assets of RMB7,224.3 million as of 31 December 2022, which was primarily attributable to our cash and bank balances of RMB8,697.9 million, trade receivables of RMB127.8 million, prepayments, other receivables and other assets of RMB95.3 million and financial assets at fair value through profit or loss of RMB313.3 million, which was partially offset by other payables and accruals of RMB727.6 million, trade payables of RMB118.6 million and convertible loan of RMB1,197.2 million.

Trade Receivables

Our trade receivables mainly consist of the receivables by selling drugs and other receivables from providing R&D services. 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:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Within 3 months	**127,822**	45,273
3 months to 6 months	**3**	–
Trade receivables	**127,825**	45,273

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 to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to 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.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets decreased from RMB116.1 million as of 31 December 2021 to RMB95.3 million as of 31 December 2022, primarily due to RMB16.3 million decrease in other assets from RMB16.3 million as of 31 December 2021 to nil as of 31 December 2022 because the listing expense in other assets was settled in 2022 for RMB Share Issue.

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments	**33,557**	37,532
Interest receivable	**44,987**	41,363
Other assets	**–**	16,340
Value-added tax recoverable	**12,147**	17,362
Other receivables	**4,653**	3,548
	95,344	116,145

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss are wealth management products denominated in RMB, measured at fair value and whose changes are included in the current and non current profit or loss, with RMB313.3 million in current assets as of 31 December 2022, compared with RMB317.1 million in current assets and RMB304.7 million in non current assets as of 31 December 2021.

Inventories

As our sales grew and the Guangzhou Base was put into production in 2022, our inventories, which mainly include raw materials, consigned processing material and finished goods, increased from RMB9.9 million as of 31 December 2021 to RMB65.3 million as of 31 December 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:

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**111,186**	84,459
1 year to 2 years	**7,335**	121
2 years to 3 years	**66**	17
Over 3 years	**10**	5
	118,597	84,602

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 RMB204.9 million as of 31 December 2021 to RMB727.6 million as of 31 December 2022, primarily due to (i) an increase in payable for property, plant and equipment from RMB47.0 million as of 31 December 2021 to RMB104.1 million as of 31 December 2022; (ii) an increase in payroll payables from RMB41.4 million as of 31 December 2021 to RMB57.0 million as of 31 December 2022; (iii) a decrease in sales rebate from RMB33.1 million as of 31 December 2021 to RMB7.6 million as of 31 December 2022; (iv) an increase in accruals from RMB23.0 million as of 31 December 2021 to RMB51.4 million as of 31 December 2022; and (v) an increase in other current liabilities from nil as of 31 December 2021 to RMB459.5 million as of 31 December 2022, which was mainly due to the accrued liability for Guangzhou Hi-tech Zone Technology Holding Group Co., Ltd.

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Payable for property, plant and equipment	**104,050**	46,956
Payroll payables	**57,014**	41,406
Individual income tax and other taxes	**32,580**	37,360
Sales rebate	**7,628**	33,070
Accruals	**51,391**	23,024
Payable for investments in joint ventures	**–**	20,000
Other current liability	**459,517**	–
Others	**15,372**	3,070
Other Payables and Accruals	**727,552**	204,886

Indebtedness and finance lease

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

	As of 31 December	
	2022	2021
	RMB'000	RMB'000
Included in current liabilities		
Lease liabilities	**20,112**	20,336
Other current liability	**459,517**	–
Convertible loan	**1,197,168**	–
Included in non-current liabilities		
Lease liabilities	**35,439**	47,442
Long term payables	**287,761**	37,693
Convertible loan	**–**	1,200,564
Total indebtedness	**1,999,997**	1,306,035

Our total indebtedness increased from RMB1,306.0 million as of 31 December 2021 to RMB2,000.0 million as of 31 December 2022, mainly due to the increase of long term payables and other current liability.

Deferred income

Our total deferred income, classified in current liabilities and non-current liabilities, increased from RMB136.3 million as of 31 December 2021 to RMB286.0 million as of 31 December 2022, mainly due to newly granted government subsidy obtained.

Property, Plant and Equipment

Property, plant and equipment increased from RMB430.1 million as of 31 December 2021 to RMB653.2 million as of 31 December 2022, which is mainly caused by increase of buildings, plant and machinery for both Beijing InnoCare and Guangzhou InnoCare.

Right-of-use Assets

The right of use assets increased from RMB136.0 million as of 31 December 2021 to RMB284.1 million as of 31 December 2022, which is mainly caused by newly increased leasehold land.

Other intangible Assets

Other intangible assets increased from RMB34.2 million as of 31 December 2021 to RMB41.3 million as of 31 December 2022 was mainly due to the addition of SAP software.

Investments in Joint Ventures

Our investments in joint ventures decreased from RMB21.4 million as of 31 December 2021 to RMB11.7 million as of 31 December 2022 because of the increase in share of losses of the joint ventures for the year increased.

Other Non-Current Assets

Other non-current assets was mainly the prepayments for long term assets, including property, plant and equipment, right-of-use assets and other intangible assets etc., as the long term assets increased, the other non-current assets decreased from RMB51.0 million as of 31 December 2021 to RMB28.0 million as of 31 December 2022.

Key Financial Ratios

The following table sets forth our selected key financial ratio:

	As of 31 December	
	2022	2021
Current ratio	**4.5**	19.5

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 reclassification of convertible loan from non-current liability as of 31 December 2021 to current liability as of 31 December 2022, with value of RMB1,197.2 million, the increase of other payables and accruals from RMB204.9 million as of 31 December 2021 to RMB727.6 million as of 31 December 2022, the increase of trade payables from RMB84.6 million as of 31 December 2021 to RMB118.6 million as of 31 December 2022, partially offset by increase of cash and bank balances from RMB5,928.7 million as of 31 December 2021 to RMB8,697.9 million as of 31 December 2022.

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 and the RMB Share Issue. 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 overallotment 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.

On 21 September 2022, 264,648,217 RMB Shares of US$0.000002 each were issued at a price of RMB11.03 per RMB Share and listed on the STAR Market. Net proceeds after deducting underwriting discounts and commission and offering expenses were RMB2,778.82 million. As required by the PRC securities laws, the net proceeds from the RMB Share Issue must be used in strict compliance with the planned uses as disclosed in the PRC prospectus as well as the Company's proceeds management policy for the RMB Share Issue approved by the Board of Directors.

As of 31 December 2022, our cash and bank and wealth management products balances were RMB9,011.2 million, as compared to RMB6,550.5 million as of 31 December 2021. The increase was mainly due to the net proceeds from the RMB Share Issue, and 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.

Save as disclosed in this report, during the Reporting Period and until the date of this report, the Company has not made any issue of equity securities for cash.

ORDER BOOK

Due to its business nature, the Group has no order book at 31 December 2022.

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 2022, the subscriptions generated (i) an investment income of RMB8.5 million; and (ii) a fair value gain of RMB6.6 million measured at fair value through the Company's profit/loss account. As of 31 December 2022, the aggregated outstanding principal amount of the Group's Wealth Management Products was RMB300 million. For details, please refer to the announcements of the Company dated 30 March 2022 and 19 April 2022.

Saved as disclosed above, as of 31 December 2022, we did not hold any significant investments of the Company. For the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures of the Company. As of 31 December 2022, we did not have plans for material investments and capital assets.

GEARING RATIO

The gearing ratio (calculated as total debt (includes other current liability, loans and borrowings and convertible loan) divided by total assets and multiplied by 100%) as of 31 December 2022 was 18.8% (31 December 2021: 17%).

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 2022, we had RMB1,197.2 million of the convertible loan with Guangzhou Kaide, RMB287.8 million of long-term payable with Beijing Changxin Construction Investment Co., Ltd and RMB459.5 million of other current liability with Guangzhou Hi-tech Zone Technology Holding Group Co., Ltd, land use right of RMB163.4 million was mortgaged to Beijing Changxin Construction Investment Co., Ltd. Except for the items above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Please refer to note 26, note 28 and note 29 to the Consolidated Financial Statements in this report for details about borrowings.

CONTINGENT LIABILITIES

As of 31 December 2022, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents, time deposits, trade and other receivables, 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. As of 31 December 2022, the Group has not used any derivatives and other instruments for hedging purposes.

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.

CHARGE ON GROUP ASSETS

Except for the mortgage on land use right under the paragraph of "Bank Loans and Other Borrowings", there was no pledge of the Group's assets as of 31 December 2022.

FINAL DIVIDEND

No dividend was declared and paid by the Group for the year ended 31 December 2022 (2021: Nil). As of 31 December, there was no arrangement under which a shareholder had waived or agreed to waive any dividends.

EMPLOYEES AND REMUNERATION

As of 31 December 2022, the Group had a total of 939 employees. The following table sets forth the total number of employees by function:

	Number of employees	% of total
Function		
Research and development	418	44.5%
Manufacturing	150	16%
Selling and marketing	261	27.8%
General and administrative	110	11.7%
Total Employees	939	100%

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 60, 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 54, 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 55, 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. Shan Fu (付山), aged 55, has been a Director since 5 February 2018. Mr. Fu was re-designated as a Non-executive Director on 27 September 2019. He resigned as a Non-executive Director with effect from 27 March 2023 immediately after the closure of the Board meeting held on 27 March 2023.

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). Since June 2021, Mr. Fu has served as a director of Genetron Holdings Limited, a company whose shares are listed on the NASDAQ Global Market (stock code: GTH). Since 9 June 2021, Mr. Fu has served as a non-executive director of LEPU SCIENTECH MEDICAL TECHNOLOGY (SHANGHAI) CO., LTD. 樂普心泰醫療科技(上海)股份有限公司, a company listed on the Hong Kong Stock Exchange (stock code: 2291) on 8 November 2022.

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 38, 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 49, has been serving as a Non-executive Director since 31 March 2022. Mr. Jin 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 Jason Zhang, Ph.D., aged 55, 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 51, 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). 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 77, 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 2007 to 2016 as a director of Medicinal Chemistry Division, CPA (中國藥學會藥物化學專業委員會) from 2007 to 2020, and as chairman of the Board of Supervisors, CPA (中國藥學會監事會) from 2017 to 2022;
- 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) from 2017 to 2022.

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 60, 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 61, has been appointed as the 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 51, 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.

Dr. Xiangyang Chen, Ph.D., aged 56, 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.

REPORT OF DIRECTORS

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 2022. Please refer to note 1 to the Consolidated Financial Statements on page 129 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 2022 are set out in the consolidated financial statements of the Group on pages 122 to 128 of this report.

SHARE CAPITAL

Details of the issued shares of the Company during the year ended 31 December 2022 are set out in note 31 to the Consolidated Financial Statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2022 are set out in the Consolidated Statement of Changes in Equity on page 125 of this report. The Company did not have any reserve available for distribution to Shareholders as of 31 December 2022.

FINANCIAL SUMMARY

The Company's Shares were listed on the Hong Kong Stock Exchange on 23 March 2020 and the RMB Shares were listed on the STAR Market on 21 September 2022. 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 14 of this report.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased from RMB430.1 million as of 31 December 2021 to RMB653.2 million as of 31 December 2022, which is mainly caused by increase of buildings, plant and machinery for both Beijing InnoCare and Guangzhou InnoCare.

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 13 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report based on the information that is publicly available within 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 2022, HKD1,260.2 million, or 52.2% out of the net proceeds have been utilized. The remaining proceeds will be used in the following three to four years. The completion time of for usage of proceeds is determined based on the Company's actual business needs and future business development.

	Use of proceeds as stated in the Prospectus (in HK$'000) (approximate)	Net proceeds unutilized as of 31 December 2021 (in HK$'000) (approximate)	**Actual use of proceeds during 2022 (in HK$'000) (approximate)**	**Net proceeds unutilized as of 31 December 2022 (in HK$'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**	853,114	**441,116**	**411,998**	**The amount is expected to be fully utilized before the second half of 2026**
40% for our other clinical stage product candidates*	**966,268**	812,054	**115,853**	**696,201**	**The amount is expected to be fully utilized before the second half of 2026**
10% for working capital and general corporate purposes	**241,567**	63,666	**16,350**	**47,316**	**The amount is expected to be fully utilized before the second half of 2026**
Total	**2,415,670**	1,728,834	**573,319**	**1,155,515**	

* Comparing to the corresponding disclosures in the Prospectus, or in previous annual reports, in this report the Company has adjusted the manner in which the proceeds from its IPO will be applied to. Such adjustments are to (i) better reflect the recent advancement of progress in the Company's product pipelines, and (ii) demonstrate the Company's recent development focus in its product pipelines.

Use of Net Proceeds from Subscription Agreements in February 2021

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 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 were 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. Such use of 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 2022:

	Proceeds from the subscription (in HK$'000) (approximate)	Actual use of proceeds up to 31 December 2022 (in HK$'000) (approximate)	Net proceeds unutilized as of 31 December 2022 (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**	**1,704,498**	**1,336,942**	**Expected to be fully utilized in three years since 23 March 2021, and subject to, among other things, change of market conditions**

Use of Net Proceeds from RMB Share Issue

On 21 September 2022, the RMB Shares were listed on the STAR Market. The gross proceeds amounted to approximately RMB2,919.07 million. After deducting issuance expenses of RMB140.25 million in accordance with the related requirements, the net proceeds amounted to approximately RMB2,778.82 million. The net proceeds raised from the RMB Share Issue have been used and will be used in accordance with the intended uses disclosed in the Company's RMB Share prospectus dated 16 September 2022, which has been attached to the overseas regulatory announcement of the Company dated 16 September 2022. In January 2023, a fund displacement report was issued that RMB545.7 million could be displaced by the raised fund.

As at 31 December 2022, none of the net proceeds of the RMB Share Issue had been utilised as follows:

	Proceeds from the subscription (in RMB'000) (approximate)	Actual use of proceeds up to 31 December 2022 (in RMB'000) (approximate)	Net proceeds unutilized as of 31 December 2022 (in RMB'000) (approximate)	Expected timeline for usage of proceeds
New drug research and development ("**R&D**") projects	1,494,220.6	–	1,494,220.6	Expected to be fully utilized by 2027, and subject to, among other things, change of market conditions
Upgrade of drug R&D platform	116,146.6	–	116,146.6	Expected to be fully utilized by 2027, and subject to, among other things, change of market conditions
Construction of marketing network	273,851.4	–	273,851.4	Expected to be fully utilized by 2027, and subject to, among other things, change of market conditions
Construction of IT system	60,952.3	–	60,952.3	Expected to be fully utilized by 2027, and subject to, among other things, change of market conditions
Replenishment of cash flow	833,644.7	–	833,644.7	Expected to be fully utilized by 2027, and subject to, among other things, change of market conditions
Total	2,778,815.6	–	2,778,815.6	

ANNUAL GENERAL MEETING

The forthcoming annual general meeting ("**AGM**") of the Company will be held on Friday, 2 June 2023. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF THE 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 Tuesday, 30 May 2023 to Friday, 2 June 2023, 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 Monday, 29 May 2023.

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 at the same time 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 at the same time with 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;
- Post COVID-19 pandemic still raging and world order crisis unresolved; and
- Our EHS department formulated training system and current mechanism may cover the daily safety inspection and quarterly safety inspection at this stage and may require further development regarding EHS risks.

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.

2023 OUTLOOK AND FUTURE DEVELOPMENT

Approaching the eighth year of the establishment of the Company, we anticipate that in 2023, the group will continue to be a promising year for the commercialized and pivotal stage pipeline and mark a transformative year for the Company to become InnoCare version 2.0 from 1.0 by further expanding our global R&D footprint, commercialization, and manufacturing capabilities. 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:

Developing B-cell and T-cell Pathways in Autoimmune Diseases

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 increase to US$31.7 billion by 2030. BTK plays an important role 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 the best-in-class BTK inhibitor for MS. We are quickly progressing our Phase II MS global clinical trial and hopefully Orelabrutinib will be established as the best-in-class BTK inhibitor for MS treatment in the future.

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 IIa SLE clinical trial, we believe Orelabrutinib could potentially become the first-in-class BTK inhibitor in the treatment of SLE and we are actively moving forward with further development scheme. Further, 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 AD, psoriasis, SLE, LN, and IBD, etc. 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.

Building A Leading Franchise in Hemato-oncology

With Orelabrutinib as a backbone therapy and the support of our abundant pipeline in hemato-oncology, 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 hemato-oncology in China and worldwide by covering MM, NHL, and leukemia markets. Leveraging the strong sales momentum after entering the NRDL in 2022, we will continue to accelerate the sales of Orelabrutinib (宜諾凱®) in China. We have a broad clinical program for Orelabrutinib in various B-cell malignancies in China to broaden its indication including 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. for r/r MCL and actively pursuing potential combination therapy partners to maximize the value of its superior clinical profile in NHL market ex-China.

Building 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 footprint in the field of solid tumor treatment with the precision medicine. Our rapidly maturing early-stage pipeline including the cornerstone therapy ICP-189 and ICP-B05, and ICP- 033 immune-oncology treatment should enable us to provide a competitive treatment solution for a large array of solid tumors for both China and global patients.

Continuing 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 could allow us to fully leverage our established clinical development, commercialization, and manufacturing capabilities, and those have potential synergies with our current pipeline for combination therapies.

Establishing 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-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.

IMPACT OF THE COVID-19 OUTBREAK

Since the outbreak of the novel coronavirus ("**COVID-19**") in early 2020, the Company has adopted immediate measures to maintain effective and high-quality level of operation. Although we experienced some delays in the patient enrollment process and data entry for certain of our clinical trials in China at the beginning of the COVID-19 pandemic, there has not been any material disruption of our ongoing clinical trials. Since early 2022, the government implemented different levels of COVID-zero policy in different regions in mainland China. We took various adaptive measures, including but not limited to reducing face-to-face meetings by means of telephone or virtual conferences, avoiding unnecessary travels, which resulted in no significant impact on commercialization or sales. Since November 2022, the government started to ease various COVID-19 restrictions, and we have started to ease the afore-mentioned measures since December 2022.

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, product sales and business operation has not experienced any material disruption since the outbreak of COVID-19. We have not experienced and currently do not expect any material regulatory delays in respect of our clinical trials or any long-term impact on our operation or deviation from our overall development plans due to the COVID-19 pandemic. We have not experienced any material impact from COVID-19 on the progress, status or filing update of our ongoing research and clinical activities.

DIRECTORS

The Directors during the year ended 31 December 2022 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 (resigned on 27 March 2023 immediately after the closure of the Board meeting held on 27 March 2023.)
Mr. Rongang Xie
Mr. Ming Jin (appointed on 31 March 2022)

Independent Non-executive Directors

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

In accordance with article 114 (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 118 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 first annual general meeting of the Company after his appointment and be eligible for re-election at that meeting.

In accordance with article 117 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 61 to 67 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 Jason 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 during the year ended 31 December 2022 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 2022, the interests and short positions of our Directors and chief executives of the Company 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	Nature of Interest	Total Number of Shares/ Underlying Shares	Approximate Percentage of Shareholding Interest[1]
Dr. Jisong Cui	Interest in controlled corporation, beneficial owner	103,222,916[2]	5.85%
Dr. Renbin Zhao	Interest in controlled corporation, beneficial owner	119,839,593[3]	6.79%
Dr. Yigong Shi	Interest of spouse	119,839,593[4]	6.79%
Dr. Zemin Jason Zhang	Beneficial owner	8,311,111	0.55%

Notes:

(1) The calculation is based on the total number of 1,764,321,452 Shares issued as at 31 December 2022.

(2) Includes (i) 82,326,827 Shares indirectly held by Dr. Jisong Cui through Sunland BioMed Ltd as beneficial owner and (ii) 20,896,089 Shares directly held by Dr. Jisong Cui.

(3) Includes (i) 99,360,375 Shares indirectly held by Dr. Renbin Zhao through Sunny View Holdings Limited as beneficial owner, and (ii) 20,479,218 Shares directly held by Dr. Renbin Zhao.

(4) Dr. Yigong Shi does not hold any legal or beneficial interest in the share capital of the Company. The spouse of Dr. Yigong Shi is Dr. Renbin Zhao. 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.

Save as disclosed above, as at 31 December 2022, 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 2022, 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.

Long positions 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	89,014,653[2]	5.04%
GIC Private Limited	Interest in controlled corporation	97,614,645[3]	5.53%
Vivo Capital LLC	Interest in controlled corporation	123,028,118[4]	6.97%
Mr. Hebert Pang Kee Chan	Interest in controlled corporation	163,444,332[5]	9.30%
HHLR Advisors, Ltd.	Investment manager	208,671,222[6]	11.83%

Notes:

(1) The calculation is based on the total number of 1,764,321,452 Shares issued as at 31 December 2022.

(2) Golden Autumn Group Limited held 47,900,278 Shares and Strausberg Group Limited held 41,114,375 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 47,900,278, 41,114,375 and 890,014,653 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) Mr. Hebert Pang Kee Chan indirectly held 163,444,332 Shares consisting of (i) 55,500,000 Shares held through Success Growth Limited, (ii) 106,807,145 Shares held through King Bridge Investments Limited, (iii) 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, each of 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.

(6) 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**") of which HHLR Fund. L.P. held 200,475,300 Shares. 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 208,671,222 Shares collectively held by the Hillhouse Entities.

Save as disclosed above, as at 31 December 2022, 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 2022 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 2022 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 2022, 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 2022, 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 2022 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 2022.

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.

EMPLOYEES, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2022, we had approximately 939 employees (as at 31 December 2021: approximately 721 employees). Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

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

PRE-IPO INCENTIVISATION PLANS

The 2015 Pre-IPO Incentivisation Plan and the 2016 Pre-IPO Incentivisation Plan were adopted and approved by resolutions in writing by the Board and the Shareholders on 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 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.

Summary of Terms

Purpose. The purpose of the Pre-IPO Incentivisation Plans is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of our business.

Eligible participants. Any employee, Director or consultant of the Company who is engaged by the Group to render consulting or advisory services to the Group shall be eligible to participate in the Pre-IPO Incentivisation Plans.

Administration. The Pre-IPO Incentivisation Plans shall be subject to the administration of the Board or a committee appointed by the Board. Each award or option 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**").

Duration. 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 or options 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.

Each of the 2015 Pre-IPO Incentivisation Plan and the 2016 Pre-IPO Incentivisation Plan has a remaining life of approximately three years and four months, and the 2018 Pre-IPO Incentivisation Plan has a remaining life of approximately five years and seven months.

The Administrator shall determine the time or times at which an option may be exercised by the grantee in whole or in part, and vesting period of options or awards granted under the Pre-IPO Incentivisation Plans in whole or in part.

Maximum number of Shares. Pursuant to the Pre-IPO Incentivisation Plans, the maximum number of Shares in respect of which options and awards may be granted shall not exceed 274,586,514 Shares (183,888,050 Shares for the 2015 Pre-IPO Incentivisation Plan, 22,200,000 Shares for the 2016 Pre-IPO Incentivisation Plan, and 68,498,464 Shares for the 2018 Pre-IPO Incentivisation Plan) which represents approximately 15.56% (10.42% for the 2015 Pre-IPO Incentivisation Plan, 1.26% for the 2016 Pre-IPO Incentivisation Plan, and 3.88% for the 2018 Pre-IPO Incentivisation Plan) of the total issued shares of the Company as at the date of this report.

As at 31 December 2022, an aggregate of 222,308,157 Shares have been issued to directors, senior management and employees of the Group or their affiliates pursuant to share awards already vested, and 84,894,476 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 and held under trusts to be transferred to individual grantee after they exercise their grants. 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.

Maximum entitlement of each participant. 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/her 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.

Consideration. The consideration to be paid for the Shares to be issued under the Pre-IPO Incentivisation Plans, including the method of payment, shall be determined by the Administrator subject to the provisions in the Pre-IPO Incentivisation Plans and applicable law. The tax withholding to be paid for the Shares shall be determined according to the provisions in the Pre-IPO Incentivisation Plans and applicable law. Depending on the specific plan of the Pre-IPO Incentivization Plans under which the underlying RSUs were granted, the relevant consideration for each RSU ranged between US$0.000002 and US$0.178. There is no other payable amount on application or acceptance of the option or award.

As at the date of this report, the aggregate number of underlying Shares pursuant to the outstanding RSUs granted under the Pre-IPO Incentivisation Plans is 52,278,357 Shares in aggregate, representing approximately 2.96% of the total issued share capital of the Company as at 31 December 2022. During the Reporting Period, there were no movements with regard to share options or share purchase rights. As at 31 December 2022, there were no outstanding share options or share purchase rights under the Pre-IPO Incentivisation Plans. Accordingly, there are no discloseable matters with regard to share options or share purchase rights pursuant to Rule 17.12 of the Listing Rules.

Vesting and Exercise period of the share options. All options available under the Pre-IPO Incentivization Plans were granted and exercised prior to the commencement of the Reporting Period.

Vesting period of the RSUs. RSUs granted under the Pre-IPO Incentivization Plans are subject to time based vesting condition of four or five years since the date of the grant and performance milestone vesting conditions.

For further details, please refer to the section headed "Statutory and General Information – Pre-IPO Incentivisation Plans" in Appendix V to the Prospectus and note 33 to the Consolidated Financial Statements of this report.

Since the adoption of Pre-IPO Incentivisation Plans, and up to 31 December 2022, the Company did not grant or vest any share purchase rights pursuant to the Pre-IPO Incentivisation Plans.

During the year ended December 31, 2022, the movements in the RSUs granted under the Pre-IPO Incentivisation Plans were as follows:

	Number of RSUs														
Name of category of grantee	As at January 1, 2022	Granted during the year	Vested during the year[3]	Lapsed during the year	Cancelled during the year	Expired during the year	As at December 31, 2022	Under which Pre-IPO Incentivisation Plan	Date of grant of RSUs	Fair value of RSUs at the grant date[1]	Vesting period of RSUs	Grant price of RSUs	Closing price per Share immediately before the grant date of awards	Weighted average closing price per Share underlying the RSUs vested during the year	Number of Shares underlying RSUs outstanding as of December 31, 2022 divided by weighted average number of Shares[4]
	Directors, chief executive or substantial shareholders of the Company, or their respective associates														
Zhang Zemin	3,333,333	0	3,333,333	0	0	0	0	2015 Plan (RSU)	NA	NA	NA	NA	NA	US$1.2253	NA
Subtotal	3,333,333	0	3,333,333	0	0	0	0								
	Five highest-paid individuals														
Five Highest Paid Employees	11,900,000	0	0	0	0	0	11,900,000	2018 Plan (RSU)	NA	NA	NA	NA	NA	NA	NA
Subtotal	11,900,000	0	0	0	0	0	11,900,000								

		Number of RSUs													
Name of category of grantee	As at January 1, 2022	Granted during the year	Vested during the year[3]	Lapsed during the year	Cancelled during the year	Expired during the year	As at December 31, 2022	Under which Pre-IPO Incentivisation Plan	Date of grant of RSUs	Fair value of RSUs at the grant date[1]	Vesting period of RSUs	Grant price of RSUs	Closing price per Share immediately before the grant date of awards	Weighted average closing price per Share underlying the RSUs vested during the year	Number of Shares underlying RSUs outstanding as of December 31, 2022 divided by weighted average number of Shares[4]
	Other employees														
Other Employees	4,655,712	0	441,205	990,000	0	0	3,224,507	2015 Plan (RSU)	NA	NA	NA	NA	NA	US$1.2253	NA
	3,000,000	0	525,000	0	0	0	2,475,000	2016 Plan (RSU)	NA	NA	NA	NA	NA	US$1.2941	NA
	14,682,000	2,700,000	3,414,000	1,734,750	0	0	12,233,250	2018 Plan (RSU)	03/16/2022	US$1.091;	2022/3/16-2026/3/15	US$0.178	HK$9.93	US$1.1640	NA
									04/28/2022	US$1.1806;	Performance target based[2]	US$0.178	HK$10.66		
									09/16/2022	US$1.2234	2022/9/16-2026/9/15	US$0.178	HK$11		
Subtotal	22,337,712	2,700,000	4,380,205	2,724,750	0	0	17,932,757								
Total	37,571,045	2,700,000	7,713,538	2,724,750	0	0	29,832,757								

Notes:

(1) Details of the valuation of RSUs granted during the year, including the accounting standard and policy adopted for the Pre-IPO Incentive Scheme, are set out in note 33 and note 2.4 to the consolidated financial statements.

(2) For performance targets attached to the RSUs granted during the year ended 31 December 2022, please refer to the announcement of the Company dated March 31, 2023.

(3) Refers to the timing when the relevant grantees became beneficially entitled to the underlying Shares represented by the corresponding number of RSUs.

(4) Rule 17.07 (3) is not applicable because all underlying Shares represented by RSUs granted pursuant to the Pre-IPO Incentivization Plans during the Reporting Period were already issued prior to the IPO.

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 Post-IPO RSU Scheme does not comply with Chapter 17 of the Listing Rules. The Company will not make any grants of RSUs under the Post-IPO RSU Scheme until it is amended to comply with or otherwise replaced by a RSU Scheme that complies with Chapter 17 of the Listing Rules.

Summary of Terms

Purpose. The purpose of the Post-IPO RSU Scheme is to reward employees for their past contribution to the success of the Company and to provide incentives to them to further contribute to the Company.

Eligible participants. The Eligible Participants include any employee or officer of the Company or any subsidiary including (without limitation to) any executive or non-executive director in the employment of or holding office in the Company or any subsidiary of the Company.

Administration. The Post-IPO RSU Scheme shall be subject to the administration of the Board who may delegate all or part of such administration to a committee or any other authorized agent. The decision of the Board or persons to whom the Board has delegated relevant powers shall be final and binding on all parties for any matters concerning the interpretation or application of this Post-IPO RSU Scheme.

Maximum number of Shares. The maximum number of Shares in respect of which RSU may be granted under the Post-IPO RSU Scheme when aggregated with the maximum number of Shares in respect of which options or awards 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 date of adoption (or of the refreshment of the 10% limit).

Accordingly, the total maximum number of Shares in respect of which RSUs may be granted under the Post-IPO RSU Scheme would be 128,916,524, representing 7.3% of the number of Shares in issue as at the date of this annual report.

Maximum entitlement of each participant. The Post-IPO RSU Scheme does not specify maximum entitlement of each participant.

128,916,524 and 128,916,524 Shares are underlying awards available for grant under the Post-IPO RSU Scheme as of January 1, 2022 and December 31, 2022, respectively.

Vesting period. The vesting schedule shall be determined by the Board subject to the provisions in the Post-IPO RSU Scheme and applicable laws.

Purchase price. The purchase price of RSUs shall be determined by the Board subject to the provisions in the Post-IPO RSU Scheme and applicable laws.

Term. Unless terminated earlier in accordance with the rules of Post-IPO RSU Scheme, the Post-IPO RSU Scheme will be valid and effective for a period commencing from the date of adoption and expiring on the tenth anniversary thereof. Any early termination of the Post-IPO RSU Scheme shall not affect any subsisting rights of any grantee thereunder. The Post-IPO RSU Scheme has a remaining life of approximately seven years.

For further details, please refer to the announcement of the Company dated 6 July 2020.

Since the adoption of the Post- IPO RSU Scheme, and up to 31 December 2022, the Company did not grant or vest any RSU pursuant to the Post-IPO RSU Scheme. Accordingly, as of the date of this report, no Share has been issued pursuant to or in connection with the Post-IPO RSU Scheme. The Company will not make any grants of RSUs under the Post-IPO RSU Scheme until it is amended to comply with or otherwise replaced by a RSU Scheme that complies with Chapter 17 of the Listing Rules.

Accordingly, there are no discloseable matters with regard to RSUs under the Post-IPO RSU Scheme pursuant to Rule 17.12 of the Listing Rules.

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 2022.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 12.8% and 34.6% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 13.1% and 41.6%, respectively. The Group's largest customer 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.

Our major customers comprise retailers of Orelabrutinib and biotechnology company to whom we provide R&D services. We began our cooperation with them since 2021. Their credit terms are between one to three months. All receivables as of 31 December 2022 from such major customers were settled as of the date of this report, with no special provisions recognized by us. We have no material risks with reliance on these major customers because we have a diverse customer base, and we have been maintaining strict control over outstanding receivables from all of our customers to minimize any credit risk.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES, TRANSACTION IN SECURITIES

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period. And there was no transaction in the Company's securities, or securities of its subsidiaries during the year ended 31 December 2022.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group has donated RMB0.5 million for aiding Hong Kong to fight the COVID-19 pandemic.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the Reporting Period, the Board is of the opinion that the Company has complied with all the code provisions apart from the deviation below.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the Chairperson and the Chief Executive should be segregated and should not be performed by the same individual. 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.

The Company will continue to regularly review this annual result and monitor the corporate governance practices to ensure the compliance with the CG Code and maintain a high standard of the best practices. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of the Shareholders.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

In respect of the year ended 31 December 2022, the Company does not have any disclosure obligations under Rules 13.17 to 13.22 of the Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by Ernst & Young. As of the date of this report, there was no change in the Company's auditor in any of the preceding three years.

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, 27 March 2023

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 2022, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.2.1 of the CG Code which provides that the roles of Chairperson and Chief Executive Officer should be separated and should not be performed by the same individual, details of which are set out on page 90 under the section headed "Board of Directors – Chairperson and Chief Executive Officer" of this Corporate Governance Report.

CORPORATE GOVERNANCE CODE COMPLIANCE

Up to the date of this report, the Company has complied with the code provisions as set out in CG Code and supplementary requirements in force in material time in Appendix 14 to the Listing Rules. In the following corporate governance areas, the Company's practices have exceeded the relevant CG Code/Listing Rules requirements:

Corporate Governance Areas	Details of Exceedance
Number of INED	• The number of INEDs represents more than one-third of the Board, which exceeded the independence requirement under the Listing Rules. • By ensuring the independent view available to corporate governance, in particular, the Company amended and updated four mechanisms in place in order to ensure a strong independent element on the Board which is the key to the Board's effectiveness. Please refer to Section Four in the amended Procedure for Directors Election, which is available on the respective websites of the Company (www.innocarepharam.com) Corporate Governance Section.
Number of INED in Audit Committee	The Audit Committee consists of three INEDs, which met the independence requirement under the listing Rules.
Number of Regular Board Meetings	The Company holds thirteen Board meetings including 4 regular Board meetings and Special Board Meetings in this year are held as and when required, which exceeds the requirement under the CG Code.
Notice of the Regular Board Meetings	The dates of regular Board meetings for the following year are usually fixed in the fourth quarter of the preceding year.
Model Code Confirmation	Confirmation of Compliance with the Model Code is obtained from each Director and Executive Management every half year.
Evaluation of the Effectiveness of Internal Control and Risk Management System	The Company reviews not only the effectiveness of the internal control and risk management of the Company and its subsidiaries, but also that of its key associate operating in Mainland China and overseas.
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. In particular, there are three female board members, which exceeded the peers' board composition on the gender diversity.
Whistleblowing Policy	The Company adopted the Whistleblowing Policy in 2022 and is committed to maintaining high standards of business ethics and corporate governance. For the details, please refer to the Whistleblowing Policy, which is available on the respective websites of the Company (www.innocarepharam.com) Corporate Governance Section.
Anti-corruption and Anti-bribery Policy	The Company adopted the Anti-corruption and Anti-bribery Policy in 2022 and is committed to conduct all its business in an honest and ethical manner. For the details, please refer to the Anti-corruption and Anti-bribery Policy, which is available on the respective websites of the Company (www.innocarepharam.com) Corporate Governance Section.

The Company continues to monitor developments in the area of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the evolving business and regulatory environment and to meet the expectations of shareholders and stakeholders.

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 eight Directors, consisting of two Executive Directors, three 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. Rongang Xie
Mr. Ming Jin

Independent Non-executive Directors:

Dr. Zemin Jason 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" 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

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 annual general meeting, the Board meeting and the Board committee meetings of the Company held during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings[1]				
Name of Directors	**Board**	**Audit Committee**	**Compensation Committee**	**Nomination Committee**	**Annual General Meeting[2]**
Executive Directors					
Dr.Jisong Cui (Chairperson and Chief Executive Officer)	13/13	–	2/2	2/2	1/1
Dr. Renbin Zhao	13/13	–	–	–	1/1
Non-executive Directors					
Dr. Yigong Shi	13/13	–	–	–	0/1
Mr. Quanhong Yuan (resigned on 31 March 2022)	2/2	–	–	–	–
Mr. Shan Fu	13/13	–	–	–	1/1
Mr. Ronggang Xie	13/13	–	–	–	0/1
Mr. Ming Jin (appointed on 31 March 2022)	11/11	–	–	–	0/1
Independent Non-executive Directors					
Dr. Zemin Jason Zhang	13/13	5/5	2/2	2/2	0/1
Ms. Lan Hu	13/13	5/5	2/2	–	0/1
Dr. Kaixian Chen	13/13	5/5	–	2/2	0/1

Notes:

(1) No attendance was by an alternate of any Director.

(2) Due to the COVID-19 zero-policy restriction and illness, some Directors were absent for the meetings in 2022.

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.

Independent Non-executive Directors

For the year ended 31 December 2022, the Board at all times met the requirements of Rules 3.10(1) and (2), and 3.10A 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 guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent for the year ended 31 December 2022.

Code provision C.2.7 of the CG Code requires that the chairperson should at least annually hold meetings with independent non-executive Directors without the presence of other directors. During the year ended 31 December 2022, the Chairperson held four meeting with the Independent Non-executive Directors without the presence of the other directors.

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 2022, all of the Directors participated in a training session conducted by the legal advisers of the Company. The training session 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 2022 in compliance with code provision C.1.4 of the CG Code 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. Ronggang Xie	✓
Mr. Ming Jin (appointed on 31 March 2022)	✓
Independent Non-executive Directors	
Dr. Zemin Jason Zhang	✓
Ms. Lan Hu	✓
Dr. Kaixian Chen	✓

Notes:

1. Attended training/seminar/conference arranged by the Company and conducted by the legal advisor of the Company, and studied the relevant reading materials.

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.

Appointment and Re-election of Directors

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 and re-election of Directors are subject to the provisions of retirement and rotation under the Articles of Association.

Under the Article 114. (a) of the Article 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 118 of the Article of Association also provides that any Director appointed to fill a casual vacancy shall hold office until the next first annual general meeting the Company 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 forthcoming annual general meeting of the Company and shall then be eligible for re-election.

BOARD COMMITTEES

The Board has established three Board 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 state 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.

Audit Committee

The Audit Committee consists of three members, including three Independent Non-executive Directors, namely Ms. Lan Hu, Dr. Zemin Jason 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 include assisting 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 held five meetings and all the members of the Audit Committee attended the meeting to, assist our Board of Directors by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board of Directors 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 Jason 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 duties 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 held two meetings and all the members of the Compensation Committee attended the meeting to, 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, approve the terms of the executive director's service contract, and reviewing and approving matters relating to share schemes under Chapter 17.

During the year ended 31 December 2022, there were no matter relating to the Pre-IPO Incentivisation Plans that were reviewed or approved by the Compensation Committee pursuant to Rule 17.07A of the Listing Rules because the Pre-IPO Incentivisation Plans were adopted and all the underlying Shares thereunder were issued prior to the IPO.

No material matters relating to the Post-IPO RSU Scheme that were reviewed and approved by the compensation committee during the year ended December 31, 2022 because there were no grants made during the same period.

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

	2022 Number of Individual(s)	2021 Number of Individual(s)
Annual Remuneration		
HK$4,500,001 to HK$5,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
HK$10,500,001 to HK$11,000,000	**–**	1
HK$15,500,001 to HK$16,000,000	**1**	–
HK$17,000,001 to HK$17,500,000	**–**	1
HK$28,000,001 to HK$28,500,000	**1**	–
HK$30,500,001 to HK$31,000,000	**1**	–
HK$36,500,001 to HK$37,000,000	**–**	1
	4	4

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended 31 December 2022 are set out in note 8 and note 9, 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:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**16,108**	12,873
Performance related bonuses	**7,424**	4,941
Pension scheme contributions	**343**	253
Share-based payments	**70,247**	72,670
Fees	**–**	33
	94,122	90,770

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 Jason 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 held two meetings 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.

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.

Mechanism to Ensure Independent Views and Input Available to the Board

The Company recognize the importance of board independence to corporate governance. In particular, the following mechanisms are established during the Reporting Period in order to ensure that there is strong independent element on the Board which is key to the Board's effectiveness:

- In assessing whether a potential candidate is qualified to become an independent non-executive director of the Company, the Nomination Committee and the Board will consider, among others, whether the candidate is able to devote sufficient time on performing his/her duties as an independent non-executive director of the Company, and the background and qualification of the candidate, in order to assess whether such candidates are able to bring independent views to the Board Commitment in respect of available time and relevant interest.
- In considering whether an independent non-executive director should be proposed for re-election, the Nomination Committee and the Board will assess and evaluate the independent non-executive director's contribution to the Board during the term, in particular, whether the independent non-executive director was able to bring independent views to the Board.
- The Company will ensure that there are channels (in addition to independent non-executive directors) where independent views are available, including but not limited to availability of access by directors of the Company to external independent professional advice to assist their performance of duties.

- In connection with the preceding paragraphs, the Nomination Committee and the Board will consider a potential candidate's (or, in the case of re-election, a retiring independent non-executive director's) willingness to (i) commit the time required to fully discharge his/her responsibilities to the Board (as 3 independent non-executive director?) and (ii) advance his/her opinion on matters where independent non-executive directors' views are required, including but not limited to the conflict of interest assessment, etc.

At the end of December, the Company reviewed the mechanism and are satisfied with the effectiveness and efficiency of the current version.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

For the year ended 31 December 2022, 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.

COMPANY SECRETARY

During the Reporting Period, Mr. Keith Shing Cheung Wong, who was a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, has served as the company secretary of the Company and resigned on 23 March 2022. Ms.Angel Pui Shan Lee, who is a corporate secretarial executive of SWCS Corporate Services Group (Hong Kong) Limited, was appointed on 23 March 2022 to serve as 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 2022, Mr. Angel Pui Shan Lee has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTION

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made of all the Directors (including Mr. Quanhong Yuan, who resigned as a Director with effect from 31 March 2022) and they have confirmed that they have complied with the Model Code during the year ended 31 December 2022. The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the year ended 31 December 2022.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group as at the end of the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

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 assists 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 examines 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.

Risk Management

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 significant 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 oversees and manages the overall risks (including ESG 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, is 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 significant 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 significant 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, around two times per annum. 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 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, periodically review its compliance status with all relevant laws and regulations. The Audit Committee (i) makes recommendations to the Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

The Company has engaged a PRC law firm to advise it on and keep it abreast of the 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 and Anti-bribery Policy 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 risk management and internal control system, around two times per annum. The Audit Committee and legal department reviewed the adequacy and effectiveness of the Company's policies and procedures and the external auditor and external consultants (i.e. legal counsel) evaluated the risk management and regulatory compliance, and legal matters. In conjunction with the Board's ad-hoc review, the Company's risk management and internal control systems were adequate and effective with stratification during the Reporting Period to cover all the aspects of the current fast-paced development of the Company. Besides, the Company has complied satisfactorily with the requirements of the Corporate Governance Code in respect of risk management and internal control system, and that the Company has satisfactorily maintained appropriate levels and control measures in response the Covid-19 pandemic.

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 had invested 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 established 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.

Whistleblowing Policy

A whistleblowing policy has been established to deal with concerns relating to fraudulent or unethical acts or non-compliances with laws and the Company's policies that have or could has significant adverse financial, legal, or reputational impacts on the Company. Such policy applies to all employees (including secondees), officers and directors of the Group (together, the "**Relevant Persons**") and external third parties who deal with the Group (including but not limited to customers and suppliers) ("**External Parties**"). The whistleblowing channels are available to all staff, parties who deal with the Company as well as the public. The Company has thoughtfully considered the protection for whistleblowers, confidentiality, malicious allegations, and false reports, etc., which the investigation procedure, anonymous report, and reporting channels have been put in place.

For the details, please refer to the Whistleblowing Policy, which is available on the website of the Company (www.innocarepharam.com) under Corporate Governance Section.

Anti-corruption and Anti-bribery Policy

Practicing integrity and responsible business ethics is paramount to the Company's continued success. The anti-corruption and anti-bribery policy was adopted during the Reporting Period and lays down the requirements of the Company in term of ethical practices and obliges staff to operate transparently and under the highest principles of professional, fairness, impartiality and integrity in all of the places where the Company does business. The anti-corruption and anti-bribery policy are reviewed and will be updated periodically to ensure appropriateness and compliance with corporate and regulatory requirements.

To ensure our staff live up to the highest ethical standards, the Company encourages the staff to report existing or perceived violations of the policy as well as malpractices. Proper procedures related to the Whistleblowing Policy of the Company is in place, enabling staff to raise their concerns in a safe environment and in complete confidence if they have genuine suspicions about any wrongdoings.

To assist new staff in embracing the Company's values and ethical commitments, briefing on the anti-corruption and anti-bribery policy is introduced during the staff orientation program. For the details, please refer to the anti-corruption and anti-bribery policy, which is available on the website of the Company (www.innocarepharam.com) under Corporate Governance Section.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit services	5,683
Services in connection with the RMB Shares listed on the STAR Market	2,000
Other non-audit services	
– Raised Fund Report	500
Total	8,183

DIVERSITY

Board Diversity Policy

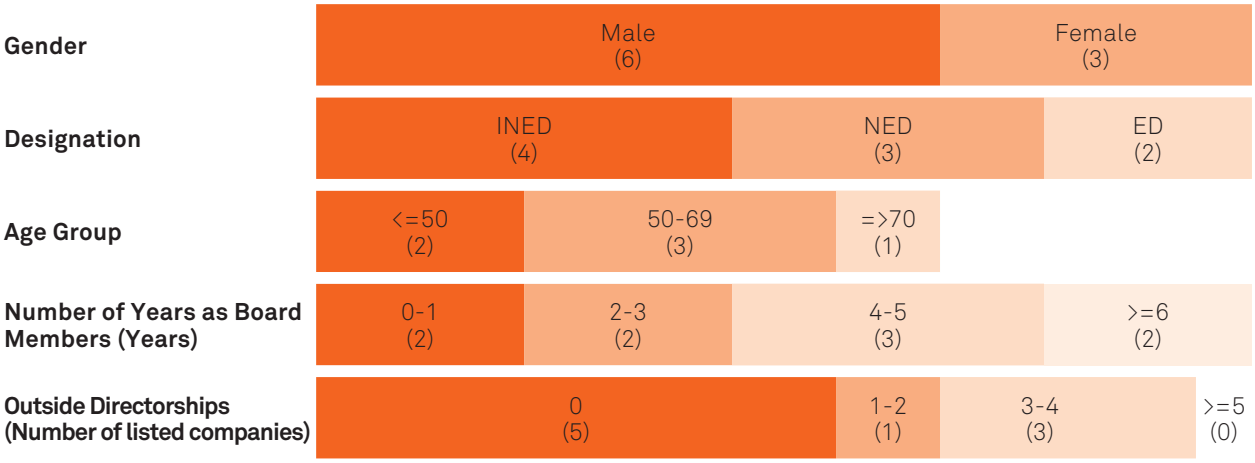
The Company has a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number 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 38 years old to 77 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 reviews the Board Diversity Policy on an annual basis to ensure its continued effectiveness.

The Board currently has three female Directors and as such it is satisfy to achieved gender diversity in respect of the Board. We will continue to strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. We also consider that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we can have a pipeline of female senior management and potential successor to the Board in the near future.

Corporate Gender Diversity and Objectives



Note: As of 31 December 2022

At present, the Nomination Committee considered that the gender of the Board is sufficiently diverse, and the Board has set out below measurable objective in relation to other aspects.

Measurable objectives during the year include (i) at least one third of the Board shall be Independent Non-executive Directors; (ii) at least two Directors are female; (iii) at least one Director shall have obtained accounting or other professional qualifications; and (iv) at least four Directors shall have relevant healthcare or biotech background. For the year, all items of the above targets have been fulfilled. Whereas the current Board and Executive Management of the Company comprise of 22 members, viewing from the Company's perspective, as at 31 December 2022, the Company had 939 employees in total comprising of approximately 501 females and 438 males (that is, a female-to-male ratio of 53.4%:46.6%), reflecting a gender equality principle generally adhered by the Company from top to the bottom with an extend to the entire company. The Board is mindful of the objectives for the factors as set out in the paragraph headed "Nomination Committee" for assessing the candidacy of the Board members and will ensure that any successors to the Board shall follow the gender diversity policy. Similar considerations shall also be in place to assess the candidacy of the Executive Management team from time to time. The Company is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the executive management team to achieve gender equality in terms of the gender ratio within an approximately five years' timeframe. The Company expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Company has been advocating for so.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

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. Therefore, The Company engages with the Shareholders through various communication channels. 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.

Convening an Annual General Meeting

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) should be available to meet Shareholders and answer their enquiries. The forthcoming AGM will be held on Friday, 2 June 2023. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

Convening an Extraordinary General Meeting

Pursuant to Article 66 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; on a one vote per share basis in the share capital of the Company, and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. 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 119 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.

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.

In addition, to promote effective communication, the Company has established a two-way relationship and communication policy between the Company and the shareholders and maintaining such policy on the websites of the Company at www.innocarepharma.com 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.

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.

INVESTOR RELATIONS

The Shareholders' communication policy of the Company is set out in the section headed "Shareholders' Rights and Communications" in this report.

The two-way relationship communication policy is reviewed by the Company on an annual basis to ensure its continued effectiveness. 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 2022 for more than 26 sell-sides and over 30 sell-sides are actively holding investor group meetings and conference for us. 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 2022, the Company participated in investor conferences, roadshows, healthcare summits on virtual basis and in-person. Nearly 900 investor meetings were held with institutional investors and research analysts in Hong Kong and internationally.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

At the Company's annual general meeting held on 21 June 2022, the Shareholders passed two special resolutions in relation to the amendments to (i) the Current M&A; and (ii) the RMB Share Issue M&A. The amendments are in relation to, among other things, core shareholder protection standards under Appendix 3 to the Listing Rules. The second amended and restated memorandum and articles of association of the Company became effective on 21 June 2022, and the third amended and restated memorandum and articles of association of the Company became effective on 21 September 2022. For details, please refer to the Company's circular dated 18 May 2022, and announcements dated 21 June 2022 and 20 September 2022.

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 2022.

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 115 to 121.

WHISTLEBLOWING AND ANTI-CORRUPTION POLICIES

The Company has established a whistleblowing policy and system for employees and those who deal with the Company (e.g. the Company's customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company.

The Company has also established an anti-corruption policy and anti-bribery policy and system to promote and support applicable anti-corruption laws and regulations in jurisdictions where the Company operates its business.

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.

CORPORATE GOVERNANCE REPORT

CORPORATE CULTURE

The Company is committed to developing a positive and progressive culture that is built on its Purpose, Vision, and Values; one that allows employees across the Group to thrive, meet their full potential, and that enables the Company to deliver long-term sustainable growth and success and to fulfil its role to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide. Throughout 2022, InnoCare continued to strengthen its cultural framework by focusing on four specific areas: Dedicated & Responsible, Persistent & Perseverant, Creative & Innovative, Collaborative & Team-oriented, and Pursuit of Excellence, through various initiatives set out in the Business Review and the Governance sections of this Annual Report and the 2022 ESG Report.

Science Drives Innovation for the Benefit of Patients

Dedicated & Responsible

Be focused, efficient and dedicated, responsible for the team and results

Persistent & Perseverant

Always take initiative, keep learning to improve problem solving abilities and take on more responsibilities

Creative & Innovative

Adopt creative thinking and innovative methodology to achieve goals faster, better and in a more cost -effective way

Collaborative & Team-oriented

Achieve common goals through mutual respect, cooperation and collaboration

Pursuit of Excellence

Consistently strive for perfection

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

OPINION

We have audited the consolidated financial statements of InnoCare Pharma Limited (the "Company") and its subsidiaries (the "Group") set out on pages 122 to 128, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of research and development expenses During the year ended 31 December 2022, the Group recognised research and development ("R&D") expenses of approximately RMB639,139,000 of which comprised 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 activities with these outsourced service providers are documented in detailed contracts and are typically performed over an extended period. Recording of these expenses in the appropriate financial reporting period based on the progress of the research and development projects involves estimates made by management and we identified the recognition and measurement of research and development expenses as a key audit matter. The Group's disclosures about research and development expenses are included in note 2.4 and note 6 to the financial statements.	Our procedures in relation to research and development expenses included: (1) Evaluating and testing the internal controls over the R&D expenses; (2) Evaluating the reasonableness of R&D expenses by comparing with prior year amounts and along with the progress of the R&D projects; (3) Examining the ending balance of prepayment and related supporting contracts on a sample basis, and checking the settlement of long-term prepayment; (4) Reviewing the key terms set out in contracts with the outsourced service providers, inspecting supporting documents and performing confirmation procedure on a sample basis to test the accuracy of R&D expenses; (5) Performing background search for major service providers and examining the supporting documents to evaluate the commercial substance and the occurrence underlying R&D activities; (6) Evaluating the appropriateness of the accrual amount of R&D expenses by comparing the subsequent milestone billings received with the accruals at the year end on a sample basis.

Key audit matter

Revenue recognition of sales of goods and research and development services

During the year ended 31 December 2022, RMB625,404,000 was derived from revenue from contracts with customers, mainly from sales of goods 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 and research and development services as a key audit matter.

The Group's disclosures about revenue recognition are included in note 2.4, note 3 and note 5 to the financial statements.

How our audit addressed the key audit matter

Our procedures in relation to sales of goods included:

(1) Evaluating and testing the internal controls over the sales of goods;

(2) Reviewing the contracts on a sample basis to evaluate the appropriateness of management's judgements, including the identification of the performance obligation, the estimation of variable consideration and the assessment on the timing of revenue recognition;

(3) Examining supporting documents on a sample basis, including but not limited to, sales orders, goods delivery notes, invoices and bank slips;

(4) Examining sales orders, goods delivery notes and invoices related to revenue recognised around balance sheet date to assess the appropriateness of the timing of revenue recognition;

(5) Evaluating the calculation of variable consideration by testing the mathematical accuracy and completeness on a sample basis;

(6) Performing confirmation procedures on transaction and balance with customers on a sample basis, and performing alternative procedures on uncollected confirmations;

(7) Performing analytical review to observe the sales trend and identify whether there were any unusual sales and evaluating its reasonableness.

Key audit matter	How our audit addressed the key audit matter
	Our procedures in relation to research and development services included: (1) Evaluating and testing the internal controls over research and development services; (2) Evaluating the management's estimations on the total expected costs to the complete satisfaction of the research and development services, examining related supporting documents for the costs incurred to date, and assessing management's evaluation on the progress towards complete satisfaction of the performance obligation for the research and development services.
Fair value measurement of a 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 2022, the fair value of the convertible loan was RMB1,197,168,000. The terms of the convertible loan is complex and the determination of the fair value of the convertible loan involves significant judgements and estimates made by management. Therefore, we identified the fair value measurement of the convertible loan as a key audit matter. The Group's disclosures about the convertible loan are included in note 2.4, note 3, note 28 and note 39 to the financial statements.	Our procedures in relation to fair value measurement of a convertible loan included: (1) Reviewing the key terms set out in the agreement and the articles of association of the subsidiary and assessing the appropriateness of the accounting treatment in accordance with relevant accounting standards; (2) Evaluating the competence, capabilities and objectivity of management's specialist and evaluating the valuation techniques, methodologies and key assumptions applied with the assistance of our internal valuation specialists; (3) Assessing the adequacy of the Group's disclosures of the fair value measurement of the convertible loan.

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
27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**625,404**	1,043,033
Cost of sales		**(143,397)**	(65,667)
Gross profit		**482,007**	977,366
Other income and gains	5	**198,199**	217,938
Selling and distribution expenses		**(438,611)**	(298,463)
Research and development expenses		**(639,139)**	(721,584)
Administrative expenses		**(181,556)**	(139,815)
Other expenses		**(291,167)**	(1,271)
Fair value changes of convertible loan	28	**3,396**	(51,014)
Impairment losses on financial assets		**(100)**	(32)
Share of losses of joint ventures		**(9,711)**	(604)
Finance costs	7	**(17,045)**	(2,642)
LOSS BEFORE TAX		**(893,727)**	(20,121)
Income tax expense	10	**–**	(46,558)
LOSS FOR THE YEAR		**(893,727)**	(66,679)
Attributable to:			
Owners of the parent		**(886,593)**	(64,545)
Non-controlling interests		**(7,134)**	(2,134)
		(893,727)	(66,679)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	12	**(RMB0.60)**	(RMB0.05)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR	**(893,727)**	(66,679)
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	**429,445**	(89,453)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**429,445**	(89,453)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(464,282)**	(156,132)
Attributable to:		
Owners of the parent	**(457,148)**	(153,998)
Non-controlling interests	**(7,134)**	(2,134)
	(464,282)	(156,132)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**653,163**	430,081
Right-of-use assets	14	**284,103**	135,999
Goodwill	15	**3,125**	3,125
Other intangible assets	16	**41,305**	34,166
Investments in joint ventures	17	**11,712**	21,423
Financial assets at fair value through profit or loss	22	**–**	304,675
Other non-current assets	18	**28,042**	50,951
Total non-current assets		**1,021,450**	980,420
CURRENT ASSETS			
Inventories	19	**65,322**	9,918
Trade receivables	20	**127,825**	45,273
Prepayments, other receivables and other assets	21	**95,344**	116,145
Financial assets at fair value through profit or loss	22	**313,290**	317,059
Cash and bank balances	23	**8,697,927**	5,928,716
Total current assets		**9,299,708**	6,417,111
CURRENT LIABILITIES			
Trade payables	24	**118,597**	84,602
Contract liabilities	25	**4,242**	6,831
Other payables and accruals	26	**727,552**	204,886
Deferred income	27	**7,757**	12,647
Lease liabilities	14	**20,112**	20,336
Convertible loan	28	**1,197,168**	–
Total current liabilities		**2,075,428**	329,302
NET CURRENT ASSETS		**7,224,280**	6,087,809
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,245,730**	7,068,229
NON-CURRENT LIABILITIES			
Convertible loan	28	**–**	1,200,564
Lease liabilities	14	**35,439**	47,442
Long term payables	29	**287,761**	37,693
Deferred income	27	**278,203**	123,611
Total non-current liabilities		**601,403**	1,409,310
Net assets		**7,644,327**	5,658,919
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**23**	19
Reserves	32	**7,597,078**	5,604,540
		7,597,101	5,604,559
Non-controlling interests		**47,226**	54,360
Total equity		**7,644,327**	5,658,919

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Other reserve RMB'000 (note 32(a))	Share-based payment reserve RMB'000 (note 33)	Asset revaluation reserve RMB'000	Foreign exchange reserve RMB'000 (note 32(b))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	19	9,371,726	(19,292)	260,235	(6,036)	(465,758)	(3,536,335)	5,604,559	54,360	5,658,919
Loss for the year	-	-	-	-	-		(886,593)	(886,593)	(7,134)	(893,727)
Exchange differences on translation of foreign operations	-	-	-	-	-	429,445	-	429,445	-	429,445
Total comprehensive loss for the year	-	-	-	-	-	429,445	(886,593)	(457,148)	(7,134)	(464,282)
A shares issued upon listing on the Science and Technology Innovation Board (the "STAR Market")	4	2,919,066	-	-	-	-	-	2,919,070	-	2,919,070
Share issue expenses	-	(149,902)	-	-	-	-	-	(149,902)	-	(149,902)
Share-based payments (note 33)	-	-	-	129,477	-	-	-	129,477	-	129,477
Exercise of RSUs	-	68,629	-	(64,345)	-	-	-	4,284	-	4,284
Obligation to acquire non-controlling interests in a subsidiary	-	(453,239)	-	-	-	-	-	(453,239)	-	(453,239)
At 31 December 2022	23	11,756,280*	(19,292)*	325,367*	(6,036)*	(36,313)*	(4,422,928)*	7,597,101	47,226	7,644,327

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Other reserve RMB'000 (note 32(a))	Share-based payment reserve RMB'000 (note 33)	Asset revaluation reserve RMB'000	Foreign exchange reserve RMB'000 (note 32(b))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	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 31)	3	2,526,672	–	–	–	–	–	2,526,675	–	2,526,675
Share-based payments (note 33)	–	–	–	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 RMB7,597,078,000 (2021: RMB5,604,540,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(893,727)**	(20,121)
Adjustments for:			
Impairment losses on financial assets		**100**	32
Finance costs	7	**17,045**	2,642
Foreign exchange losses/(gains), net		**290,559**	(44,138)
Interest income	5	**(136,914)**	(135,135)
Investment income of wealth management products	5	**(8,486)**	(70)
Share of losses of joint venture	17	**9,711**	604
Fair value changes of a convertible loan	28	**(3,396)**	51,014
Fair value changes of wealth management products	5	**(6,557)**	(6,733)
Covid-19-related rent concessions from lessors		**(73)**	–
Depreciation of property, plant and equipment	6	**35,353**	10,438
Depreciation of right-of-use assets	6	**21,533**	17,752
Amortisation of other intangible assets and other non-current assets		**11,517**	5,521
Loss on disposal of property, plant and equipment		**–**	2
Share-based payment expenses	6	**129,477**	126,444
		(533,858)	8,252
Increase in inventories		**(52,116)**	(8,040)
Increase in trade receivables		**(82,653)**	(45,153)
Increase in prepayments, other receivables and other assets		**(932)**	(1,349)
Increase in trade payables		**33,995**	79,082
Increase in other payables and accruals		**35,354**	76,565
(Decrease)/increase in deferred income		**(8,748)**	17,191
Cash (used in)/from operations		**(608,958)**	126,548
Interest received		**43,404**	40,510
Net cash flows (used in)/from operating activities		**(565,554)**	167,058
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income in time deposits with original maturity of more than three months when acquired and wealth management products		**98,372**	79,568
Purchases of investments		**–**	(715,000)
Proceeds upon maturity of investments and time deposits with original maturity of more than three months when acquired		**315,000**	2,611,467
Purchases of items of property, plant and equipment and other non-current assets		**(227,235)**	(169,770)
Purchases of other intangible assets		**(11,724)**	(1,441)
Receipt of government grants for property, plant and equipment		**74,971**	–
Investments in joint venture		**(20,000)**	(868)
Proceeds from disposal of items of property, plant and equipment		**–**	19
Purchases of land use rights		**(131,368)**	–
Increase in time deposits with original maturity of more than three months when acquired		**(1,824,370)**	(3,533,940)
Net cash flows used in investing activities		**(1,726,354)**	(1,729,965)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**4,160**	784
Proceeds from the A share listing		**2,919,070**	–
Payment of listing expenses		**(128,686)**	(15,207)
Proceeds from issue of shares		**–**	2,526,675
Proceeds from borrowings		**325,000**	50,000
Interest paid		**(3,263)**	(2,529)
Principal portion of lease payments		**(21,775)**	(14,916)
Net cash flows from financing activities		**3,094,506**	2,544,807
Net increase in cash and cash equivalents		**802,598**	981,900
Cash and cash equivalents at beginning of year		**3,237,484**	2,300,881
Effect of foreign exchange rate changes, net		**139,902**	(45,297)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**4,179,984**	3,237,484
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	23	**8,697,927**	5,928,716
Time deposits with original maturity of more than three months when acquired	23	**(4,515,379)**	(2,691,009)
Restricted cash		**(2,564)**	(223)
Cash and cash equivalents as stated in the consolidated statement of cash flows	23	**4,179,984**	3,237,484

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. The Company's subsidiaries are principally engaged in the research, development, manufacture and commercialisation of biological products. The Company's ordinary shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and STAR Market of the Shanghai Stock Exchange on 23 March 2020 and on 21 September 2022, respectively.

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%	Research and development
InnoCare Pharma Australia Pty Ltd.	Australia	AU$10	–	100%	Research and development
Beijing InnoCare Pharma Tech Co., Ltd. ("Beijing InnoCare") (a)	People's Republic of China ("PRC")/Mainland China	US$80,000,000	–	100%	Research and development
Nanjing Tianyin Jian Hua Pharma Tech Co., Ltd. ("Nanjing InnoCare")	PRC/Mainland China	RMB10,000,000	–	100%	Research and development
Beijing Tiancheng Pharma Tech Co., Ltd.	PRC/Mainland China	RMB49,225,100	–	91.08%	Research and development
Shanghai Tianjin Pharma Tech Co., Ltd.	PRC/Mainland China	RMB4,000,000	–	100%	Research and development
Guangzhou InnoCare Pharma Tech Co., Ltd. ("Guangzhou InnoCare")	PRC/Mainland China	RMB1,000,000,000	–	93%	Development and 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.

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 financial assets at fair value through profit or loss and convertible loan 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, 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) 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 as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *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 is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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 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 HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, 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 revisiting he accounting policy disclosures to ensure consistency with the amendments.

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 in HKAS 12 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 (provided that sufficient taxable profit is available) 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 deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to HKAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB7,852,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB7,877,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022.

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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%
Office equipment, plant and machinery	10% to $33^{1}/_{3}$ %
Devices and servers	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.

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 to 10 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 buildings, 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 that there has been a significant increase in credit risk when obvious indications reveals that counterparties are insolvent.

The Group considers a financial asset in default when counterparties go bankrupt. However, 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, a convertible loan and long term payables.

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 as financial liabilities at fair value through profit or loss, details of which are included in note 28, 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined a weighted average method. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

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 directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange 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 33 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 2022 was RMB3,125,000 (31 December 2021: RMB3,125,000). Further details are included in note 15.

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 22 and 38 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 28 and 38 to the financial statements.

Fair value measurement of share-based payments

The Group has set up certain share-based payment schemes and granted restricted stock units to the Company's directors and the Group's employees. The fair value of the restricted stock units is determined by a binomial model at the grant dates. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of restricted stock units, are made by the board of directors of the Company. Further details are included in note 33 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax in Mainland China losses at 31 December 2022 was RMB1,511,700,000 (2021: RMB1,177,329,000). Further details are contained in note 10 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 Mainland China, and most of the Group's identifiable operating assets and liabilities are located in Mainland China, the Group only has one reportable operating segment.

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
– Mainland China	**568,035**	216,066
– Overseas	**57,369**	826,967
	625,404	1,043,033

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

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
– Mainland China	**1,020,695**	674,729
– Overseas	**755**	1,016
	1,021,450	675,745

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 (aggregated if under common control) which accounted for 10% or more of the Group's revenue during the year is set out below:

	2022 RMB'000	2021 RMB'000
Customer A	*	826,967
Customer B	**224,090**	*
Customer C	**101,386**	*
Customer D	**81,916**	*
	407,392	826,967

- The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the years ended 31 December 2021 and 2022.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**625,404**	1,043,033

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
– License out	**–**	775,963
– Sales of goods	**566,755**	214,666
– Research and development services	**57,369**	51,003
– Other services	**1,280**	1,401
	625,404	1,043,033
Geographical markets		
– Mainland China	**568,035**	216,066
– Overseas	**57,369**	826,967
	625,404	1,043,033
Timing of revenue recognition		
– Goods and service transferred at a point in time	**568,035**	992,030
– Services transferred over time (note)	**57,369**	51,003
	625,404	1,043,033

Note: In February 2023, Biogen Inc.("Biogen") notified the Company of its decision to terminate its license and collaboration agreement with the Company, an oral small molecule Bruton's tyrosine kinase ("BTK") inhibitor for the potential treatment of Multiple Sclerosis ("MS") along with the research and development services. Following the termination, the Company will regain all global rights granted to Biogen, including related intellectual property, decision-making regarding research and development, manufacturing, and commercialization, and commercial proceeds generated from orelabrutinib. The Company and Biogen will collaborate to complete the transition within 90 days.

5. REVENUE, OTHER INCOME AND GAINS (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Research and development services	**7,797**	–

(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:

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognised as revenue		
Within one year	**17,783**	7,797
After one year	**–**	17,783
	17,783	25,580

5. REVENUE, OTHER INCOME AND GAINS (continued)

(b) Performance obligations (continued)

Other services (continued)

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.

	2022 RMB'000	2021 RMB'000
Other income		
Government grants (note)	**46,159**	16,257
Bank interest income	**136,914**	135,135
Investment income of investments from wealth management products	**8,486**	70
Others	**83**	2,608
	191,642	154,070
Gains		
Fair value changes of financial assets at fair value through profit or loss	**6,557**	6,733
Foreign exchange gains, net	**–**	57,135
	198,199	217,938

Note: Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities and compensate capital expenditures.

6. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment		**35,353**	10,438
Depreciation of right-of-use assets		**21,533**	17,752
Amortisation of other intangible assets	16	**4,585**	4,292
Auditor's remuneration		**5,683**	3,080
Research and development costs, excluding share-based payment expenses		**580,975**	682,156
Fair value changes of a convertible loan	28	**(3,396)**	51,014
Fair value gain on financial assets at fair value through profit or loss		**6,557**	6,733
Foreign exchange losses/(gains), net		**290,559**	(57,135)
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Wages and salaries		**378,284**	232,263
Pension scheme contributions		**66,460**	38,974
Staff welfare expenses		**6,411**	6,354
Share-based payment expenses		**129,477**	126,444
		580,632	404,035

7. FINANCE COSTS

An analysis of finance costs is as follows:

		2022 RMB'000	2021 RMB'000
Interest on lease liabilities	14(b)	**2,704**	2,560
Interest on long term payables		**8,063**	82
Interest on payable for acquisition of non-controlling interests in a subsidiary		**6,278**	–
		17,045	2,642

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022 RMB'000	2021 RMB'000
Fees	**720**	753
Other emoluments:		
Salaries, allowances and benefits in kind	**6,409**	4,475
Performance related bonuses	**3,888**	2,304
Pension scheme contributions	**96**	90
Share-based payment expenses	**16,142**	26,314
	27,255	33,936

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 33 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:

	2022 RMB'000	2021 RMB'000
Zemin Zhang	**–**	–
Kaixian Chen	**360**	360
Lan Hu	**360**	360
	720	720

8. 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:

	2022 RMB'000	2021 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:

	2022 RMB'000	2021 RMB'000
Zemin Zhang	–	5
Kaixian Chen	–	–
Lan Hu	–	–
	–	5

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. 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
2022						
Executive directors:						
Jisong Cui *(chief executive)*	–	4,247	3,240	–	16,142**	23,629
Renbin Zhao	–	2,162	648	96	–	2,906
	–	6,409	3,888	96	16,142	26,535
Non-executive directors:						
Yigong Shi	–	–	–	–	–	–
Quanhong Yuan*	–	–	–	–	–	–
Ronggang Xie	–	–	–	–	–	–
Shan Fu	–	–	–	–	–	–
Ming Jin*	–	–	–	–	–	–
	–	–	–	–	–	–
	–	6,409	3,888	96	16,142	26,535

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

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

	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	1,752	3,792
	33	4,469	2,304	90	26,309	33,205
Non-executive directors:						
Yigong Shi	–	–	–	–	–	–
Quanhong Yuan	–	–	–	–	–	–
Shan Fu	–	–	–	–	–	–
Ronggang Xie*	–	–	–	–	–	–
Lijun Lin*	–	–	–	–	–	–
	–	–	–	–	–	
	33	4,469	2,304	90	26,309	33,205

There were no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

* On 31 March 2022, Ming Jin was appointed as a non-executive director, and Quanhong Yuan ceased to be a non-executive director. On 31 March 2021, Ronggang Xie was appointed as a non-executive director, and Lijun Lin ceased to be a non-executive director.

** 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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**11,861**	9,730
Performance related bonuses	**4,184**	3,261
Pension scheme contributions	**343**	253
Share-based payments	**54,105**	48,113
	70,493	61,357

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	
	2022	2021
HK$4,500,001 to HK$5,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	1
HK$10,500,001 to HK$11,000,000	**–**	1
HK$15,500,001 to HK$16,000,000	**1**	–
HK$17,000,001 to HK$17,500,000	**–**	1
HK$28,000,001 to HK$28,500,000	**1**	–
HK$30,500,001 to HK$31,000,000	**1**	–
HK$36,500,001 to HK$37,000,000	**–**	1
	4	4

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

10. INCOME TAX

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2021: 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 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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, Nanjing InnoCare and Guangzhou InnoCare were recognised as High and New Technology Enterprises and were entitled to a preferential tax rate of 15% in 2022 (2021: Beijing InnoCare, 15%; Nanjing InnoCare, 15% and up for renewal; Guangzhou InnoCare, 25%).

Australia

The subsidiary incorporated in Australia is subject to income tax at the rate of 25% (2021: 26%) on the estimated assessable profits during the year with less than AU$ 50,000,000 of turnover and 30% (2021: 30%) on the estimated assessable profits during the year with more than AU$ 50,000,000 of turnover.

10. INCOME TAX (continued)

United States of America

The subsidiary incorporated in United States is subject to statutory United States federal corporate income tax at a rate of 21% (2021: 21%). It is also subject to the state income tax in relevant states to fulfil compliance requirements.

	2022 RMB'000	2021 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:

	2022 RMB'000	2021 RMB'000
Loss before tax	**(893,727)**	(20,121)
Tax at the statutory tax rate of 25%	**(223,432)**	(5,030)
Effect of tax rate differences in other jurisdictions	**97,152**	22,370
Preferential tax rates applicable to certain subsidiaries	**65,183**	(23,565)
Additional deductible allowance for qualified research and development costs	**(62,491)**	(56,802)
Income not subject to tax	**–**	(82,003)
Tax losses not recognised	**103,983**	134,184
Expenses not deductible for tax	**18,148**	4,720
Losses attributable to joint ventures	**1,457**	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 RMB1,511,700,000 that will expire in one to ten years for offsetting against future taxable profits.

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

11. DIVIDEND

No dividends have been declared and paid by the Company for the year ended 31 December 2022 (2021: Nil).

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

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

	Year ended 31 December	
	2022	2021
	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	**(886,593)**	(64,545)

	2022	2021
	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	**1,479,565**	1,366,261

The computation of basic and diluted loss per share for the years ended 31 December 2022 and 2021 excluded the unvested restricted stock units of the Company. Details of these restricted stock units are set out in note 33 to the financial statements.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the conversion of the exercise of restricted stock units, 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 2022 and 2021 are the same as the basic loss per share amounts.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Office Equipment Plant and machinery RMB'000	Devices and servers RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	81,041	119,569	7,996	6,675	230,724	446,005
Accumulated depreciation	–	(11,917)	(3,037)	(970)	–	(15,924)
Net carrying amount	81,041	107,652	4,959	5,705	230,724	430,081
At 1 January 2022, net of accumulated depreciation	81,041	107,652	4,959	5,705	230,724	430,081
Additions	–	43,717	1,630	1,908	229,509	276,764
Depreciation provided during the year	(7,766)	(23,281)	(2,575)	(2,918)	–	(36,540)
Transfers	143,367	74,899	309	26,854	(262,583)	(17,154)
Exchange realignment	–	8	4	–	–	12
At 31 December 2022, net of accumulated depreciation	216,642	202,995	4,327	31,549	197,650	653,163
At 31 December 2022:						
Cost	224,408	238,193	9,939	35,437	197,650	705,627
Accumulated depreciation	(7,766)	(35,198)	(5,612)	(3,888)	–	(52,464)
Net carrying amount	216,642	202,995	4,327	31,549	197,650	653,163

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Office Equipment Plant and machinery RMB'000	Devices and servers RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021:						
Cost	–	10,339	3,567	1,078	296,929	311,913
Accumulated depreciation	–	(3,725)	(1,736)	(54)	–	(5,515)
Net carrying amount	–	6,614	1,831	1,024	296,929	306,398
At 1 January 2021, net of accumulated depreciation	–	6,614	1,831	1,024	296,929	306,398
Additions	–	7,900	2,329	5,597	118,280	134,106
Disposal	–	(21)	–	–	–	(21)
Depreciation provided during the year	–	(8,193)	(1,301)	(916)	–	(10,410)
Transfers	81,041	101,345	2,099	–	(184,485)	–
Exchange realignment	–	7	1	–	–	8
At 31 December 2021, net of accumulated depreciation	81,041	107,652	4,959	5,705	230,724	430,081
At 31 December 2021:						
Cost	81,041	119,569	7,996	6,675	230,724	446,005
Accumulated depreciation	–	(11,917)	(3,037)	(970)	–	(15,924)
Net carrying amount	81,041	107,652	4,959	5,705	230,724	430,081

Certain subsidiaries of the Company received government grants related to equipment. Details of such government grants are as follows:

(a) A subsidiary of the Company, Beijing Tiancheng Pharma Tech Co., Ltd., 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 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 3-year term at a below-market rental price since 2021. The Group has recorded such government grants at a nominal amount.

14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Office and laboratory	**Leasehold land**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2021	21,910	74,823	96,733
Additions	58,709	–	58,709
Depreciation charge	(17,876)	(1,543)	(19,419)
Exchange realignment	(24)	–	(24)
As at 31 December 2021 and 1 January 2022	62,719	73,280	135,999
Additions	9,542	163,368	172,910
Depreciation charge	(20,065)	(4,810)	(24,875)
Exchange realignment	69	–	69
As at 31 December 2022	52,265	231,838	284,103

At 31 December 2022, the Group's leasehold land with net carrying amounts of approximately RMB160,101,000, (2021:Nil) were pledged to secure loans granted to the Group (note 29).

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:

(a) 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 2021 to December 2023 and from June 2021 to May 2024, respectively. 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 one building covering 3,350 square metres to conduct research and development activities from May 2016 to May 2021 for free. The Group has recorded such government grants at a nominal amount.

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**67,778**	23,998
New leases	**9,542**	58,694
Accretion of interest recognised during the year	**2,704**	2,560
Covid-19-related rent concessions from lessors	**(73)**	–
Payments	**(24,478)**	(17,445)
Exchange realignment	**78**	(29)
Carrying amount at 31 December	**55,551**	67,778
Analysed into:		
Current portion	**20,112**	20,336
Non-current portion	**35,439**	47,442

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.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**2,704**	2,560
Depreciation charge of right-of-use assets	**24,875**	19,419
Expense relating to short-term leases	**1,943**	810
Covid-19-related rent concessions from lessors	**(73)**	–
Total amount recognised in profit or loss	**29,449**	22,789

The cash outflows for leases are disclosed in note 34(c) to the financial statements.

15. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost and net carrying amount at beginning and end of the year	**3,125**	3,125

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

Impairment testing of goodwill

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

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering 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 goods 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:

	2022	2021
Gross margin (% of revenue)	**60.7%-90%**	21.5%~90%
Terminal growth rate	**0%**	0%
Pre-tax discount rate	**14.48%**	14.1%

Assumptions were used in the value-in-use calculation of the cash-generating unit as at 31 December 2022 and 31 December 2021. 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.

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

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

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

Based on the result of the goodwill impairment testing, the recoverable amount of the cash-generating unit exceeded its carrying amount as at 31 December 2022.

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 2022.

16. OTHER INTANGIBLE ASSETS

	Patents and licenses Software RMB'000	Total RMB'000	RMB'000
31 December 2022			
At 1 January 2022:			
Cost	**36,580**	**2,431**	**39,011**
Accumulated amortisation	**(3,658)**	**(1,187)**	**(4,845)**
Net carrying amount	**32,922**	**1,244**	**34,166**
Cost at 1 January 2022, net of accumulated amortisation	**32,922**	**1,244**	**34,166**
Addition	**–**	**11,724**	**11,724**
Amortisation provided during the year	**(3,658)**	**(927)**	**(4,585)**
At 31 December 2022	**29,264**	**12,041**	**41,305**
At 31 December 2022:			
Cost	**36,580**	**13,096**	**49,676**
Accumulated amortisation	**(7,316)**	**(1,055)**	**(8,371)**
Net carrying amount	**29,264**	**12,041**	**41,305**

16. OTHER INTANGIBLE ASSETS (continued)

	Patents and licenses Software RMB'000	Total RMB'000	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. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	**11,712**	21,423

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. ("Beijing Tianshi")	RMB2,000,000	PRC/Mainland China	50%	50%	50%
Beijing Tiannuo Pharma Tech Co., Ltd. ("Beijing Tiannuo")	RMB2,000,000	PRC/Mainland China	50%	50%	50%

17. INVESTMENTS IN JOINT VENTURES (continued)

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

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' loss for the year	**9,711**	604
Share of the joint ventures' total comprehensive loss	**9,711**	604
Aggregate carrying amount of the Group's investments in the joint ventures	**11,712**	21,423

18. OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Prepayment for leasehold land	**–**	32,000
Prepayment for property, plant and equipment	**14,947**	9,566
Prepayment for database system	**8,273**	6,147
Deposits and others	**4,822**	3,238
	28,042	50,951

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**25,753**	794
Consigned processing material	**–**	1,853
Work in progress	**16,013**	–
Finished goods	**23,556**	7,271
	65,322	9,918

20. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**127,957**	45,304
Impairment	**(132)**	(31)
Trade receivables	**127,825**	45,273

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 to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to 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 and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**127,822**	45,273
3 months to 6 months	**3**	–
	127,825	45,273

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**31**	–
Impairment losses	**100**	32
Foreign exchange differences	**1**	–
Amount written off as uncollectible	**–**	(1)
At end of year	**132**	31

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision is based on exposure at default, probability of default and loss given default. 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.

20. 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 2022

	Gross carrying Amount RMB'000	Expected loss rate	Expected credit loss RMB'000
Trade receivables aged			
Less than 1 year	**127,957**	**0.10%**	**132**

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

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Interest receivable	**44,987**	41,363
Prepayments	**33,557**	37,532
Value-added tax recoverable	**12,147**	17,362
Other assets	**–**	16,340
Other receivables	**4,653**	3,548
	95,344	116,145

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Investments measured at fair value through profit or loss (note 39)		
– Current	**313,290**	317,059
– Non-current	**–**	304,675
	313,290	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.

23. CASH AND BANK BALANCES

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**8,697,927**	5,928,716
Less: Time deposits with original maturity of more than three months	**(4,515,379)**	(2,691,009)
Restricted cash	**(2,564)**	(223)
Cash and cash equivalents	**4,179,984**	3,237,484
Denominated in:		
RMB	**3,947,918**	3,106,954
US$	**215,970**	103,064
Other	**16,096**	27,466
Cash and cash equivalents	**4,179,984**	3,237,484

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 seven 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, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. TRADE PAYABLES

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

	2022 RMB'000	2021 RMB'000
Within 1 year	**111,186**	84,459
1 year to 2 years	**7,335**	121
2 years to 3 years	**66**	17
Over 3 years	**10**	5
	118,597	84,602

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

25. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Advances received from customers, net of contract assets	**4,242**	6,831

Contract assets are initially recognised for revenue earned from research and development service as the receipt of consideration is conditional on achieving of operational milestones under development plan. Upon achievement of operational milestones, the amounts recognised as contract assets are reclassified to trade receivables. As at 31 December 2022 and 2021, the allowance for expected credit losses on contract assets is minimal.

For presentation purpose, the Group netted the contract assets and contract liabilities of RMB13,541,000 as at 31 December 2022 and presented a net contract liabilities of RMB4,242,000 (2021: the Group netted the contract assets and contract liabilities of RMB18,749,000 and presented a net contract liabilities of RMB6,831,000).

26. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Payable for property, plant and equipment	**104,050**	46,956
Payroll payable	**57,014**	41,406
Individual income tax and other taxes	**32,580**	37,360
Sales rebate	**7,628**	33,070
Accruals	**51,391**	23,024
Payable for acquisition of non-controlling interests in the subsidiary (note)	**459,517**	–
Payable for investments in joint ventures	**–**	20,000
Others	**15,372**	3,070
	727,552	204,886

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

Note: Pursuant to the supplemental agreement with Guangzhou High-Tech Zone Technology Holding Group Co., Ltd. ("Guangzhou High-Tech", formerly named as Guangzhou Kaide Technology Development Limited), the Group agreed to redeem the non-controlling interests hold by Guangzhou High-Tech in one subsidiary of the Company after listing on STAR Market of the Shanghai Stock Exchange. The amounts represented net present value of such payable.

27. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants		
Current	**7,757**	12,647
Non-current	**278,203**	123,611
	285,960	136,258

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

	2022 RMB'000	2021 RMB'000
At 1 January	**136,258**	106,646
Grants received during the year	**197,062**	45,868
Amount recognised in profit or loss	**(46,051)**	(16,256)
Amount recognised to offset the interest for loans at lower than market interest rate	**(1,309)**	–
At 31 December	**285,960**	136,258

The grants related to the subsidies from local government authorities and a discount portion of long term payable from a government related entity to support the subsidiaries' research and development activities and capital expenditures. The related expenditures and capital expenditures have not yet been incurred are included in deferred income in the statement of financial position.

28. CONVERTIBLE LOAN

	2022 RMB'000	2021 RMB'000
Non-current portion	–	1,200,564
Current portion	1,197,168	–

	Convertible loan RMB'000
At 1 January 2021	1,149,550
Changes in fair value	51,014
At 31 December 2021 and 1 January 2022	1,200,564
Changes in fair value	(3,396)
At 31 December 2022	1,197,168

In August 2018, Guangzhou InnoCare Pharma Tech Co., Ltd. ("Guangzhou InnoCare") was jointly established by Guangzhou High-Tech and a subsidiary of the Company. In addition, Guangzhou High-Tech 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 High-Tech with a conversion right as a financial liability at fair value through profit or loss. Further details are included in note 39 to the financial statements.

29. LONG TERM PAYABLES

The movements in long term payables during the year are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	37,693	–
Additions	250,627	37,693
Less: interest paid	(559)	–
At 31 December	287,761	37,693

In December 2021 and June 2022, the Group received five-year loans from a government related entity amounting to RMB50,000,000 and RMB325,000,000 interest bearing at 0.35% per annual with an early redemption option, respectively. The Group measured the loans by applying effective interest rate method and the rest portions for the discount part were recognised as government grant recorded in deferred income.

The Group's leasehold land were pledged for the long term loan granted to the Group in June 2022 (note 14).

30. 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	
	2022	2021
	RMB'000	RMB'000
At beginning of year	**5,432**	6,036
Deferred tax credited to profit or loss during the year	**(604)**	(604)
At end of year	**4,828**	5,432

Deferred tax assets

	Loss available for offsetting against future taxable profits	
	2022	2021
	RMB'000	RMB'000
At beginning of year	**5,432**	–
Deferred tax (charged)/credited to profit or loss during the year	**(604)**	5,432
At end of year	**4,828**	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:

	2022	2021
	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	**–**	–

31. SHARE CAPITAL

Shares

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

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
1,764,321,452 (2021: 1,499,673,235) ordinary shares of US$0.000002 each	**23**	19

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 2021 and 1 January 2022		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 and 1 January 2022		1,409,849	19	9,371,726
Issue of A shares	b)	**264,648**	**4**	**2,919,066**
Share issue expenses		**–**	**–**	**(149,902)**
Acquisition of non-controlling interests in the subsidiary		**–**	**–**	**(453,239)**
Exercise of RSUs		**7,713**	**–**	**68,629**
As at 31 December 2022		**1,682,210**	**23**	**11,756,280**

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) In connection with the A shares issued upon listing on the STAR Market, 264,648,217 ordinary shares of US$0.000002 each were issued at a price of RMB11.03 per share for a total cash consideration, before deducting the listing expenses, of approximately RMB2,919,070,000. Dealings in these shares on the Shanghai Stock Exchange commenced on 21 September 2022.

32. 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.

33. SHARE-BASED PAYMENTS

The Company operates four 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.

33. 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.

33. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

The following RSUs were outstanding under the Schemes:

	2022		2021	
	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	0.1261	37,571	0.0511	62,851
Granted during the year	0.1780	2,700	0.1487	13,241
Forfeited during the year	0.1133	(2,725)	0.0297	(7,350)
Exercised during the year	0.0825	(7,713)	0.0071	(31,171)
At 31 December	0.1433	29,833	0.1261	37,571

The weighted average share price at the date of exercise for RSUs exercised during the year was US$1.2028 per share (2021: US$1.7236).

2022

Number of RSUs '000	Exercise price US$ Per share	Exercise period
3,225	0.000002	1-10-20 to 2-9-31
2,475	0.055	16-3-22 to 15-9-31
24,133	0.178	2-8-20 to 15-9-32
29,833		

2021

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

33. 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.

	2022	2021
Expected volatility (%)	**42.68-46.57**	43
Risk-free interest rate (%)	**2.19-3.42**	1.33-1.63
Expected life (years)	**10**	10
Weighted average share price (US$ per share)	**1.2690-1.4015**	2.3591-2.8699

The Group recognised share-based payment expenses of RMB126.4 million and RMB129.5 million for the years ended 31 December 2021 and 2022, respectively.

At the date of approval of the financial statements, the Company has 52,278,537 shares which have been reserved for further grant or vesting under the Schemes, representing approximately 2.96% of the Company's shares in issue.

34. 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 RMB9,542,000 and RMB9,542,000, respectively, in respect of lease arrangements for office and laboratory (2021: RMB58,694,000 and RMB58,694,000, respectively).

During the year, the Group had non-cash settlement of variable consideration in revenue from contracts with customers and other payables of RMB49,217,000 (2021: RMB4,965,000).

34. 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.

	Payable for acquisition of of non-controlling interests in the subsidiary	Convertible loan	Long term payables	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	–	1,200,564	37,693	67,778	1,306,035
Changes from financing activities	–	–	324,441	(24,478)	299,963
Changes in fair value	453,239	(3,396)	–	–	449,843
Reclassified to deferred income	–	–	(84,788)	–	(84,788)
Currency translation differences	–	–	–	78	78
New lease arrangements	–	–	–	9,542	9,542
Covid-19-related rent concessions from lessors	–	–	–	(73)	(73)
Accretion of interest (included both – finance cost and capitalisation)	6,278	–	10,415	2,704	19,397
At 31 December 2022	459,517	1,197,168	287,761	55,551	1,999,997

	Convertible loan	Long term payables	Lease liabilities	Total
	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

34. 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:

	2022 RMB'000	2021 RMB'000
Within operating activities	**1,943**	810
Within financing activities	**24,478**	17,445
	26,421	18,255

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the loans from a government related entity amounting to RMB325,000,000 are included in notes 14 and 29, respectively, to the financial statements.

36. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Plant and machinery	**130,956**	61,464

On 5 May 2015, Beijing Huicheng Jianhua Pharma Technology Co., Ltd. ("Beijing Huicheng Jianhua", currently 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 licence fee received to Shanghai Runnuo, and (2) if Beijing Huicheng Jianhua produces its own new drug under BTK and sell
in 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) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**23,306**	19,455
Pension scheme contributions	**252**	320
Share-based payment expenses	**59,397**	62,527
Total compensation paid to key management personnel	**82,955**	82,302

(b) Name and relationships of the related parties:

Name	Relationship
Shanghai Baishida Pharmaceutical Technology Co., Ltd. ("Baishida")	Director of the entity acts as non-executive director of the Company
KeyMed Biosciences Inc ("KeyMed")	Director of the entity acts as non-executive director of the Company
Beijing Baiaozhihui Technology Co., Ltd. ("Beijing Baiaozhihui")	Controlled by immediate family member of an independent non-executive director of the Company
Dimai Biological Medicine technology (Shanghai) Co., Ltd. ("Dimai")	Director of the entity acts as a non-executive director of the Company
Vivo Opportunity Fund, L.P. and Vivo Opportunity Co-Invest, L.P.	Acting in concert with shareholders whose shareholding exceeds 5% of the Company
Nanjing Bowang Pharmaceutical Technology Co., Ltd. ("Nanjing Bowang")	Director of the entity acts as an executive director of the Company and controlled by their immediate family members
Zemin Jason Zhang ("Zemin")	Independent non-executive director of the Company
Shi Yigong	Non-executive director of the Company
Beijing Tiannuo Jiancheng Pharmaceutical Technology Co., Ltd. ("Beijing Tiannuo Jiancheng")	Joint venture

Note: From April 2022, KeyMed is no longer a related party of the Company.

37. RELATED PARTY TRANSACTIONS (continued)

Group and Company (continued)

(c) Transactions with related parties:

	2022 RMB'000	2021 RMB'000
Service from		
Baishida (note (i))	**507**	642
KeyMed (note (ii))	**–**	33,159
Beijing Baiaozhihui	**–**	73
Dimai	**–**	6
Total	**507**	33,880
Payments on behalf of		
Nanjing Bowang (note (iii))	**134**	–
Capital injection		
Beijing Tiannuo Jiancheng	**20,000**	–

Notes

(i) The purchase of service from Baishida was mutually agreed after taking into account the prevailing market prices.

(ii) The Group and KeyMed entered into an agreement to collaborate and pay for the research and development project.

(iii) As mutually agreed between the Group and Nanjing Bowang, the Group pays to the lessor on behalf of Nanjing Bowang for using certain of machinery and equipment.

(iv) On 4 January 2016 and 8 August 2019, Beijing InnoCare signed the strategic cooperation agreements with Zemin, which were valid for three years, respectively. The main content of the above strategic cooperation agreement is that Zemin provides diversified services to the Group, such as assisting the Group in explaining the relationship between cancer and cancer specific oncogene and applying advanced technologies (such as single-cell sequencing) in studying the heterogeneity and drug resistance of tumours by using his existing technology and platform. During the reporting period, no specific cooperation projects were carried out under above strategic cooperation agreements.

(v) On 4 January 2016, Beijing InnoCare signed the strategic cooperation agreement with Shi Yigong. On 8 August 2018, Beijing InnoCare signed the strategic cooperation agreement with Shi Yigong, Shi Yigong Tsinghua University Laboratory (Shi Yigong is the principal of the scientific research laboratory), which refined and replaced the above strategic cooperation agreement signed on 4 January 2016. On 10 July 2020, Beijing InnoCare and its subsidiaries signed the strategic cooperation agreement with Shi Yigong and Shi Yigong Tsinghua University Laboratory, which refined and replaced the previously signed strategic cooperation agreement. The main content of the above strategic cooperation agreement is that Shi Yigong or Shi Yigong Tsinghua University Laboratory provide diversified services to the Group, such as assisting the Group to solve specific problems in protein crystal screening, protein structure analysis, protein function analysis, combination optimisation of target protein and candidate compounds encountered in the process of new drug research and development and provide in-depth guidance on the selection of drug targets by using his existing technology and platform. During the reporting period, no specific cooperation projects were carried out under the above strategic cooperation agreement.

(vi) In February 2021, Vivo Opportunity Fund, L.P. and Vivo Opportunity Co-Invest, L.P. subscribed 18,895,000 ordinary shares of the Company at HK$14.45 per share.

37. RELATED PARTY TRANSACTIONS (continued)

Group and Company (continued)

(d) Outstanding balances with related parties

	31 December 2022 RMB'000	31 December 2021 RMB'000
Amounts due from related parties		
Nanjing Bowang	134	–
Amounts due to related parties		
Beijing Tiannuo Jiancheng	–	20,000
Baishida	117	252
Total	117	20,252

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:

2022

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	127,825	–	127,825
Financial assets at fair value through profit or loss	–	313,290	313,290
Financial assets included in prepayments, other receivables and other assets	49,640	–	49,640
Cash and bank balances	8,697,927	–	8,697,927
	8,875,392	313,290	9,188,682

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	118,597	–	118,597
Long term payables	287,761	–	287,761
Financial liabilities included in other payables and accruals	637,959	–	637,959
Convertible loan	–	1,197,168	1,197,168
	1,044,317	1,197,168	2,241,485

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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
Cash and bank balances	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

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, 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 finance head and the audit committee. At each reporting date 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 interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022				
Investments measured at fair value through profit or loss	**–**	**313,290**	**–**	**313,290**
As at 31 December 2021				
Investments measured at fair value through profit or loss	–	621,734	–	621,734

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2022				
Financial liabilities at fair value through profit or loss:				
Convertible loan	–	–	1,197,168	1,197,168
As at 31 December 2021				
Financial liabilities at fair value through profit or loss:				
Convertible loan	–	–	1,200,564	1,200,564

(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 issued by commercial banks is determined by referring to the publicly quoted price from the commercial banks.

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 loan are included in note 28 to the financial statements.

	Fair value RMB'000	Significant unobservable inputs	Range of input (%)
At 31 December 2022	1,197,168	Discount rate	2.15~4.30
At 31 December 2021	1,200,564	Discount rate	2.45~4.60

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	Risk-free interest rate	31 December 2022: 2.15%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (11,430)/11,652
			31 December 2021: 2.45%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (34,381)/35,746
		Interest spread	31 December 2022: 2.15%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (8,533)/8,698
			31 December 2021:2.15%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (4,805)/4,992

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, loans and borrowings and a convertible loan. 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 trade and 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
2022		
If RMB weakens against US$	**5**	**5,237**
If RMB strengthens against US$	**(5)**	**(5,237)**
If RMB weakens against HK$	**5**	**191**
If RMB strengthens against HK$	**(5)**	**(191)**
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)

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 no-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 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	127,825	127,825
Financial assets included in prepayments, other receivables and other assets	49,640	–	–	–	49,640
Cash and bank balances	8,697,927	–	–	–	8,697,927
	8,747,567	–	–	127,825	8,875,392

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'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

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 2022			
	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	118,597	–	–	118,597
Financial liabilities included in other payables and accruals	654,778	–	–	654,778
Lease liabilities	23,822	37,799	–	61,621
Long term payables	1,138	379,856	–	380,994
Convertible loan (note a)	1,242,325	–	–	1,242,325
	2,040,660	417,655	–	2,458,315

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

Notes:

(a) The conversion feature was triggered in 2022 that the Group needs to initiate conversion no later than 30 December 2023 before its legal due date. Therefore, it is assumed the convertible loan will due on 30 December 2023. (2021: the convertible loan was legally due on 31 December 2024).

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 2022 and 31 December 2021.

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, convertible loan and payable for acquisition of non-controlling interests in the subsidiary The gearing ratios as at the end of the reporting periods were as follows:

	2022	2021
	RMB'000	RMB'000
Current and non-current liabilities:		
Long term payables	**287,761**	37,693
Convertible loan	**1,197,168**	1,200,564
Payable for acquisition of non-controlling interests in the subsidiary	**459,517**	–
Total debt	**1,944,446**	1,238,257
Total assets	**10,321,158**	7,397,531
Gearing ratio	**19%**	17%

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:

	2022 RMB'000	2021 RMB'000
CURRENT ASSETS		
Due from subsidiaries	**2,450,509**	1,590,003
Cash and bank balances	**6,970,068**	4,705,282
Prepayments, other receivables and other assets	**41,201**	53,256
Total current assets	**9,461,778**	6,348,541
CURRENT LIABILITIES		
Other payables and accruals	**12,944**	2,953
Total current liabilities	**12,944**	2,953
NET CURRENT ASSETS	**9,448,834**	6,345,588
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,448,834**	6,345,588
Net assets	**9,448,834**	6,345,588
EQUITY		
Share capital	**23**	19
Reserves (note)	**9,448,811**	6,345,569
TOTAL EQUITY	**9,448,834**	6,345,588

Note:

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

	31 December 2022					
	Share premium RMB'000	Other reserve RMB'000	Share-based payment reserve RMB'000	Foreign exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	9,371,725	602	260,235	(515,562)	(2,771,431)	6,345,569
Loss for the year	–	–	–	–	(392,089)	(392,089)
Exchange differences on translation of foreign operations into the presentation currency	–	–	–	591,944	–	591,944
Total comprehensive loss for the year	–	–	–	591,944	(392,089)	199,855
A Shares issued upon listing on the STAR Market	2,919,066	–	–	–	–	2,919,066
Share issue expenses	(149,440)	–	–	–	–	(149,440)
Equity-settled share-based payment expenses	–	–	129,477	–	–	129,477
Exercise of RSUs	68,629	–	(64,345)	–	–	4,284
At 31 December 2022	12,209,980	602	325,367	76,382	(3,163,520)	9,448,811

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

Note: (continued)

	31 December 2021					
	Share premium RMB'000	Other reserve RMB'000	Share-based payment reserve RMB'000	Foreign exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	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 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

42. EVENTS AFTER THE REPORTING PERIOD

In February 2023, Biogen notified the Company of its decision to terminate its license and collaboration agreement with InnoCare for orelabrutinib, an oral small molecule BTK inhibitor for the potential treatment of MS along with the research and development services. Following the termination, the Company will regain all global rights granted to Biogen, including related intellectual property, decision-making regarding research and development, manufacturing, and commercialization, and commercial proceeds generated from orelabrutinib. The Company and Biogen will collaborate to complete the transition within 90 days.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2023.

Contents

InnoCare Pharma Limited
2022 Environmental, Social and Governance (ESG) Report

NOTES ON REPORT PREPARATION

REPORTING SCOPE

The content of this report ("Report") covers InnoCare Pharma Limited (hereinafter referred to as "InnoCare", "the Group", "the Company" or "we") and its subsidiaries. Unless otherwise stated, the scope of this Report shall be the same as that of the consolidated financial statements in the annual report of InnoCare (stock code: 9969.HK, 688428.SH).

List of names and abbreviations of the subsidiaries contained in this Report

Major Subsidiaries	Abbreviations in the Report
Beijing InnoCare Pharma Tech Co., Ltd.	Beijing InnoCare
Beijing Tiancheng Pharma Tech Co., Ltd.	Beijing Tiancheng Pharma
Nanjing Synercare Pharma Tech Co., Ltd./Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd.	Nanjing Synercare/Nanjing Tian Yin Jian Hua
InnoCare (Guangzhou) Biotech Co., Ltd. and Guangzhou InnoCare Pharma Tech Co., Ltd.	Guangzhou InnoCare

TIME RANGE

The period of this Report is consistent with our 2022 Annual Report, covering the business operations during the period from 1 January 2022 to 31 December 2022 ("Reporting Period" or "this year"). In the event that any part of the written information is beyond this period, it will be explained in the main text.

BASIS OF PREPARATION

This Report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* ("the Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (January 2022), and *the Guidelines No. 1 for Application of Self-Regulation Rules for Listed Companies - Standardized Operation* and *the Guidelines No. 2 for Application of Self-Regulation Rules for Companies Listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange – Voluntary Information Disclosure* issued by the Shanghai Stock Exchange.

REPORTING PRINCIPLES

This Report complies with the reporting principles set forth in the *Environmental, Social and Governance Reporting Guide*, including:

- **Materiality**

In accordance with this principle, this Report identifies the topics to be addressed in this Report through stakeholder research and materiality assessment, and focuses on reporting the matters that may have a significant impact on investors and other stakeholders in relation to ESG issues.

- **Quantitative**

In accordance with this principle, this Report discloses the key quantitative performance indicators and provides an explanation on the meaning of indicators and the basis of calculation and assumptions.

- **Balance**

In accordance with this principle, this Report reflects objective facts and discloses indicators involving both positive and negative information.

- **Consistency**

In accordance with this principle, this Report explains the meaning of the key ESG quantitative performance indicators disclosed herein and elaborates the basis of calculation and assumptions while the indicators used in different reporting periods are consistent as far as possible to reflect the trend of performance level.

DATA DESCRIPTION

The data and sample cases in this Report are derived from the original records or financial reports regarding the actual operations of the Company.

All currency in this Report is denominated in RMB unless otherwise specified. If the financial data are inconsistent with the annual report of the Company, the annual report shall prevail.

RELIABILITY ASSURANCE

The Board of Directors and senior management team of the Group have confirmed that this Report does not contain any false information, misleading statements or material omissions, and are responsible for the truthfulness, accuracy and completeness of this Report.

REPORT PUBLICATION

Publication channels: The electronic version of this Report is published on the official website of InnoCare Pharma Limited (www.innocarepharma.com), the HKEX news webpage of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Shanghai Stock Exchange (http://www.sse.com.cn/).

Report Language: This Report is published in Simplified Chinese, Traditional Chinese and English versions.

Contact us: Investor Relations Department

Email: ir@innocarepharma.com

1. ABOUT INNOCARE

1.1 COMPANY OVERVIEW

InnoCare is a leading biopharmaceutical company with an integrated biomedical platform dedicated to the discovery, research, development and commercialization of innovative drugs for the treatment of cancer and autoimmune diseases. Led by a team of well-known industry experts, we have built a fully integrated biopharmaceutical platform with strong in-house R&D, clinical development, manufacturing and commercialization capabilities. With a strong belief in science-driven innovation and patient-oriented adherence, we devote our efforts to identifying novel targets and developing innovative therapies with breakthrough potential, thus contributing to global medicine in the field of oncology and autoimmune as a visionary Chinese biotechnology platform.

Leveraging our management team's global vision and local expertise, we have built a differentiated and balanced drug portfolio, and our first product, Orelabrutinib, has been launched in China and Singapore. Our drug candidates target both innovative and evidence-based biological pathways. We are also committed to discovering novel targets and developing breakthrough therapies around the world.

Company Name	InnoCare Pharma Limited
Date of Establishment	2015
Stock Code	9969.HK 688428.SH
Headquarter	Beijing, China

Mission, Vision and Values

Mission	To leverage cutting edge science, technology and driving force to offer new drugs for patients and improve public health
Vision	To become a biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide
Values	To be resilient, innovative, collaborative, dedicated and committed to excellence

KEY MILESTONES OF INNOCARE IN 2022

JANUARY

- 宜諾凱® (Orelabrutinib), after being included in the National Drug Reimbursement List, was firstly contained in the prescription issued by the First People's Hospital of Taizhou City, Zhejiang Province
- InnoCare and Keymed jointly developed the CD20xCD3 bispecific antibody ICP-B02 to complete the first patient dosing

February

- Orelabrutinib tablets have been authoritatively recognized by the five major government departments in Beijing and won the title of "Beijing New Technology and New Products (Services)"
- The first patient dosing was completed for Phase II clinical study of Orelabrutinib in the treatment of primary immune thrombocytopenia purpura

March

- Orelabrutinib was approved for Phase II clinical trials in China for the treatment of Neuromyelitis Optica Spectrum Disorder diseases
- InnoCare was recognized by Beijing Municipal Bureau of Economy and Information Technology as a specialized, special and new "small giant" enterprise
- The new indication application for Orelabrutinib for the treatment of relapsed/refractory waldenstrom's macroglobulinemia was accepted in China
- InnoCare's self-developed TYK2 JH2 allosteric inhibitor ICP-488 was approved for clinical trials
- The first patient dosing was completed for InnoCare's self-developed novel multi-target RTK inhibitor ICP-033

April

- InnoCare presents ICP-723 preclinical data at the 2022 Annual Meeting of the American Association for Cancer Research (AACR)
- Orelabrutinib R&D team was awarded the "Top Ten Drug Innovation Research Teams in 2021"
- The new drug research application of ICP-490, a novel targeted protein degrader, was accepted by the National Medical Products Administration

May

- Orelabrutinib is included in the Guidelines for the Diagnosis and Treatment of Oncology and Hematological Diseases (Version 2022) issued by the National Health Commission of the People's Republic of China
- Tafasitamab in combination with Lenalidomide has been approved by the National Medical Products Administration (NMPA) of China for a single-arm, open-label, multi-center phase II clinical study

June

- The latest data on Orelabrutinib for systemic lupus erythematosus were released in a blockbuster oral presentation at the 2022 EULAR European Congress of Rheumatology
- InnoCare's latest data on multiple oncology pipelines were announced at the 2022 Annual Meeting of the American Society of Clinical Oncology (ASCO)
- Tafasitamab combined with Lenalidomide for the treatment of relapsed or refractory DLBCL was recommended in Clinical Guidelines for Diagnosis and Treatment by the Chinese Society of Clinical Oncology (CSCO)
- The latest data on Orelabrutinib in combination with anti-PD-1 monoclonal antibody for relapsed or refractory PCNSL were presented at the 2022 Annual Meeting of the European Society of Hematology (EHA)
- Orelabrutinib won the gold medal in the 16th Beijing Invention and Innovation Competition
- InnoCare and Keymed jointly developed the application for a new drug targeting CCR8 monoclonal antibody ICP-B05, which was accepted by the National Medical Products Administration
- The first patient dosing was completed for InnoCare's self-developed novel SHP2 allosteric inhibitor ICP-189

July

- InnoCare Guangzhou branch was approved for commercial production
- InnoCare's self-developed novel targeted protein degrader ICP-490 was approved for clinical trials for the treatment of multiple myeloma (MM), non-Hodgkin lymphoma (NHL) and other hematological tumors
- InnoCare's application for new drug research on BCL2 inhibitor ICP-248 was accepted by the National Medical Products Administration
- Tafasitamab in combination with Lenalidomide for the treatment of relapsed/refractory DLBCL was the first to be prescribed in Boao Lecheng

August

- InnoCare's self-developed TYK2 JH2 allosteric inhibitor ICP-488 completed the first subject dosing
- New indication application for Orelabrutinib for the treatment of relapsed/refractory marginal zone lymphoma was accepted in China
- InnoCare and Keymed's CCR8 monoclonal antibody ICP-B05 was approved for clinical trials in advanced solid tumors
- The marketing application for Tafasitamab in combination with Lenalidomide for the treatment of relapsed/refractory DLBCL was accepted in Hong Kong

September

- Data from Orelabrutinib combined with RCHOP for primary extranodal naïve non-GCB subtype DLBCL were selected for oral presentation at the 2022 Annual Meeting of the European Society for Medical Oncology (ESMO)
- The Center for Drug Evaluation (CDE) of the National Medical Products Administration (NMPA) of China will include the BTK inhibitor Orelabrutinib in the treatment of relapsed/refractory marginal zone lymphoma (MZL) in the priority review
- The first patient dosing was completed for Tafasitamab combined with Lenalidomide for the treatment of relapsed/refractory DLBCL Phase II registration clinical trial in China
- InnoCare's self-developed BCL2 inhibitor ICP-248 was approved for clinical trials
- InnoCare has completed the listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange, officially starting a new "H+A" journey both on Shanghai and Hong Kong stock exchanges

October

- Tafasitamab was included in the list of overseas specific drugs of local commercial insurance in numerous provinces and cities, such as Beijing, Shanghai, Guangdong and Shanxi
- Phase II clinical study of Orelabrutinib monotherapy in the treatment of relapsed/refractory waldenstrom's macroglobulinemia was published in eClinicalMedicine, a sub-journal of The Lancet
- InnoCare was recognized as one of the first Beijing Enterprise Technology Centers in 2022
- The first young patient dosing was completed for ICP-723, a second-generation pan-TRK inhibitor

November

- Tafasitamab was included in the Beijing Universal Health Insurance to benefit patients with diffuse large B-cell lymphoma
- 10 Orelabrutinib studies were selected for the 64th Annual Meeting of the American Society of Hematology (ASH).
- 宜諾凱® (Orelabrutinib) was approved by the Health Sciences Authority (HSA) of Singapore for the treatment of adult patients with relapsed/refractory mantle cell lymphoma (R/R MCL).

December

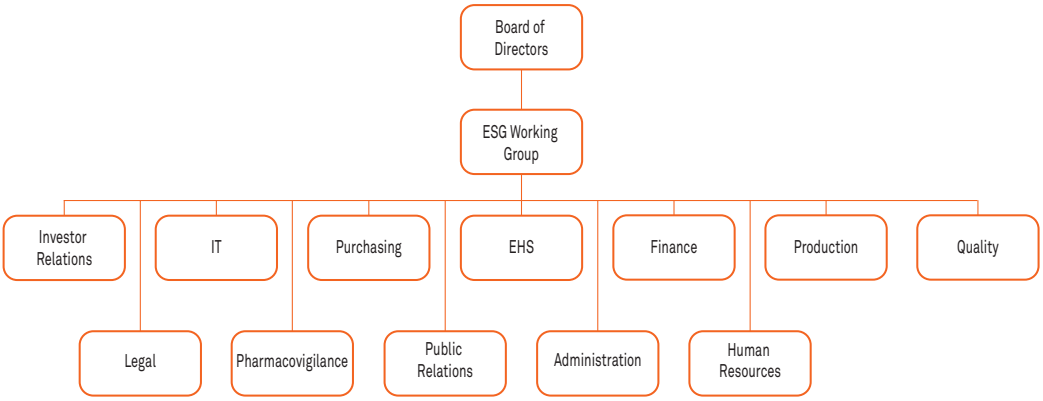
- Orelabrutinib was awarded the 2022 (Healthy China 21 Cancer Care) Enterprise of the Year with Excellent Business Value Cases
- Tafasitamab in combination with Lenalidomide was approved in Hong Kong for the treatment of relapsed/refractory diffuse large B-cell lymphoma
- InnoCare was listed in the 2022 Top 100 Enterprises - Comprehensive Competitiveness in Pharmaceutical Industry
- InnoCare was awarded the 2022 Most Valuable Pharmaceutical and Medical Company
- InnoCare was awarded the Most Valuable IPO for Investment of the Year
- InnoCare was awarded the 2021 Independent Innovation Pioneer Enterprise in China's Pharmaceutical Industry
- InnoCare was listed in the 2022 Top 100 Enterprises in China - R&D Strength in Chemical Drugs

1.2 ESG MANAGEMENT

As the Group established a top-down ESG governance structure, the Board of Directors, as the highest decision-making body for the Group's management of ESG issues, is responsible for making decisions, strategies and supervision of the Group's ESG issues. Meanwhile, we have set up an ESG Working Group to comprehensively manage the Group's ESG issues and coordinate various functional departments to carry out ESG work efficiently. All levels and departments within our ESG governance structure synchronically and independently perform their duties, and their mutual communications, ensuring that the Group conducts new drug research, clinical development, and drug manufacturing and commercialization activities in a sustainable and responsible manner, and delivers on our commitments to stakeholders.

1. ABOUT INNOCARE

ESG Governance and Management Structure



ESG Governance and Management Responsibilities

Board of Directors	• Assessing and evaluating the Group's ESG risks • Ensuring that appropriate and effective ESG risk management and internal control systems are in place • Reviewing ESG issues reported by the ESG Working Group and approving the Group's ESG disclosures
ESG Working Group	• Regularly reporting to the Board of Directors on ESG policies and issues • Assisting the Board of Directors in assessing ESG risks • Developing ESG management strategies and medium to long-term management plans • Communicating regularly with investors about ESG issues
Functional Departments	• Fully integrating ESG considerations into the Group's daily operations • Performing ESG work plan developed by the Board of Directors and the ESG Working Group

In 2022, the Group continued to improve its environmental, social and governance ("ESG") performance management, with each department regularly reviewing and reporting on ESG performance management. After collating the ESG work information about all departments, the ESG Working Group regularly reports to the Board of Directors on the management progress of the Group's ESG goals and the management status of material ESG issues, so as to continuously improve the Group's ESG management. In addition, the Board of Directors of the Group is responsible for deliberating and determining such highly material ESG issues of relevance to the Company.

The Group's has also received external recognition and support for its ESG management. In December 2022, the Group received the Golden Yue Award - 2022 Company of the Year Public Responsibility granted by NetEase Finance.

1.3 MATERIAL ISSUES IDENTIFICATION

Communication with stakeholders

The Board of Directors of the Group is responsible for deliberating and making decisions on material ESG issues related to the Group, actively receiving feedback from stakeholders and urging all departments to implement relevant ESG management work.

The Group believes that continuous communication with our stakeholders helps us gain a more comprehensive and objective understanding of our ESG priorities and assess our ESG performance. Our key stakeholders are shareholders and investors, government and regulatory authorities, customers, employees, suppliers, partners, the communities and the public.

Stakeholders	Issues of Concern	Communication Methods
Shareholders and investors	• Information disclosure • R&D and Innovation • Risk management	• Shareholders' general meeting • Regular reports and company announcements • Disclosure of information by the listed company • Investor relations activities
Government and regulatory authorities	• Compliance and business ethics • R&D ethics • Climate change response • Emissions management	• Government meetings • Project cooperation • Government staff monitoring
Customers	• Product quality and safety • Drug accessibility • Information security and data protection • Protection of customers' rights and interests	• Customer complaints and feedback • Product quality inspection • Information security and privacy protection communication instructions
Employees	• Employees' rights and benefits • Employee training and development • Occupational health and safety	• Employee training • Employee care activities • Employee complaints and feedback
Suppliers	• Supply chain management	• Supplier access review • Supplier evaluations and surveys
Partners	• R&D and innovation • Intellectual property protection	• Industry conferences and communications
Community and public	• Social welfare • R&D ethics • Climate change response	• Support for public welfare activities • Energy saving and environmental protection activities • Waste management • Protection of subjects' rights and interests • Protection of animal welfare

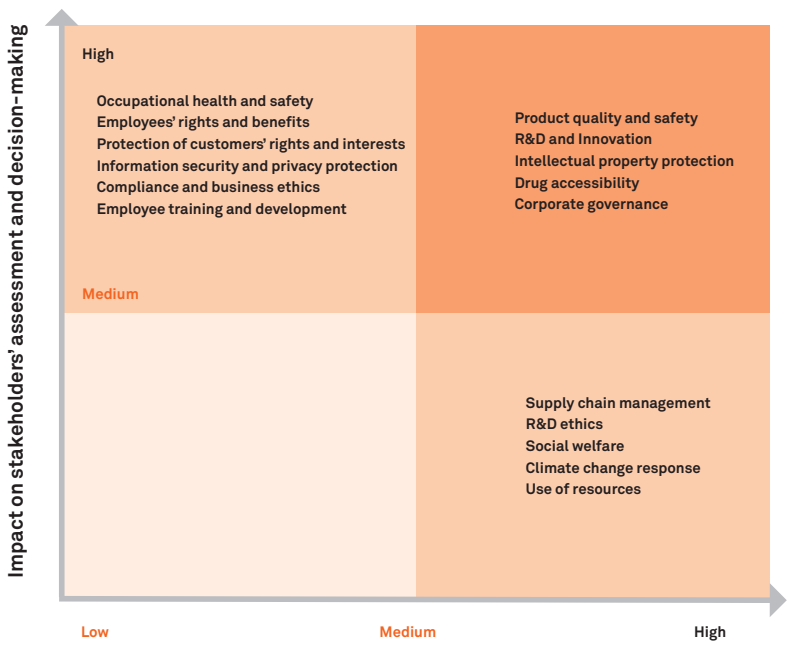
IDENTIFICATION OF MATERIAL ISSUES

We have identified most of the ESG issues, assessed their importance and relevance based on the communications with stakeholders, and conducted the ultimate analysis to develop a pool of prioritized material issues that are presented in the form of a materiality matrix. During the Reporting Period, we analyzed material issues according to peer analysis and internal operation and management actions, optimized and adjusted the expression of some issues such as use of resources, drug accessibility, employees' rights and benefits, protection of customers' rights and interests, information security and privacy protection, and adjusted the materiality level of certain issues such as social welfare, R&D ethics, etc.

Identification Process of Material Issues

Identifying ESG issues	Assessing the importance of issues	Developing a materiality matrix
• Developing an ESG issue pool applicable to the Group based on our development strategies and actual conditions, the U.S. Sustainability Accounting Standards Board's material issue pool for the biotechnology and pharmaceutical industry, and benchmarking issues of concern to industry peers	• Conducting a comprehensive analysis by taking into consideration the key concerns and expectations of stakeholders and experts/ consultants' advice • Assessing 16 issues in terms of "Impact on stakeholders' evaluation and decision-making" and "materiality of economic, environmental and social impacts"	• Building an analysis matrix of material issues based on the results of assessment • The matrix is subject to review and approval by the Board of Directors, with a focused response on highly material issue in this Report

Materiality Matrix



2. CORPORATE GOVERNANCE RESPONSIBILITY

InnoCare's corporate governance is regarded as a solid foundation for the healthy, stable and sustainable development of the Group. Accordingly, a rigorous corporate governance structure and a sound risk management and internal control system are well established to ensure the fairness and scientificity of the Group's decision-making, and effectively safeguard the rights and interests of investors, so as to achieve the Group's strategic goal of the steady growth.

2.1 CORPORATE GOVERNANCE

The Group strictly abides by the laws and regulations such as *the Company Law of the People's Republic of China, the Hong Kong Companies Ordinance and the Securities and Futures Ordinance*, and it has formulated *the Articles of Association, the Shareholders' Communication Policy, the Procedures for Shareholders to Nominate Candidates for Election as Directors, the List of Board Members and Their Roles and Functions* and other regulatory measures in accordance with *Appendix 14 to the Listing Rules: Corporate Governance Code and the Appendix 10 to the Listing Rules: Model Code for Securities Transactions by Directors of Listed Issuers* issued by the Stock Exchange of Hong Kong, and *the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board* issued by the Shanghai Stock Exchange, constituting a corporate governance mechanism with defined lines of responsibility and operating standards.

In accordance with the requirements of laws and regulations, the Group has set up a corporate governance structure consisting of the general meeting of shareholders, the Board of Directors and senior management. As the Audit Committee, the Compensation Committee and the Nomination Committee are part of the Board of Directors, the fairness and scientificity of corporate governance decisions could be guaranteed in an efficient manner. The Group also contacts shareholders through different communication channels to propose for various major matters and vote on all resolutions at the shareholders' general meetings. In 2022, the Group resolved at the shareholders' general meeting to amend the existing corporate governance systems and processes in accordance with the *Consultation Paper on a Listing Regime for Specialist Technology Companies* issued by the Stock Exchange of Hong Kong in October 2022, including adding the *Whistleblowing Policy*, the *Anti-Corruption and Anti-Bribery Policy*, improving *the Procedures for Shareholders to Nominate Candidates for Election as Directors* and updating *the Articles of Association and the List of Board Members and Their Roles and Functions*.

Composition of Board of Directors of InnoCare in 2022 and Convention of Three Meetings

Composition of Board of Directors	Convention of Three Meetings
Nine directors in Board of Directors	One shareholders' general meeting
Three independent directors	13 Board meetings
	Eight meetings of special committees of the Board of Directors
Three female directors	A total of approximately 68 proposals and reports were deliberated, reviewed, checked, or heard

2. CORPORATE GOVERNANCE RESPONSIBILITY

2.2 PROTECTION OF INVESTORS' RIGHTS AND INTERESTS

Our effective communication with shareholders is critical to promoting investor relations and deepening their understanding of the Company's business performance and strategy. We are aware of the importance of timely and non-selective disclosure of information, which would enable shareholders and investors to make informed investment decisions. We strictly abide by the rules and regulations, such as *the Administrative Measures for the Information Disclosure of Listed Companies* issued by the Hong Kong Stock Exchange, *the Rules Governing the Listing of Stocks* and *the Self-Regulatory Guidelines for Listed Companies No. 2 – Management of Information Disclosure Matters* issued by the Shanghai Stock Exchange. Following its listing on both Hong Kong and Shanghai stock exchanges, the differentiated information disclosure requirements of H shares and A shares have been met with our efforts to respond to their variations to ensure openness, timeliness and authenticity.

The Group actively responds to the requirements of both Hong Kong and Shanghai stock exchanges, and regularly updates the management systems related to communication with investors annually. The detailed articles of association are available on the website of the Group and the Stock Exchange of Hong Kong. The Group maintains communication with shareholders through channels such as the Annual General Meetings and other general meetings, and the members of the Board of Directors respond to shareholders' inquiries at the Annual General Meetings. In accordance with the requirements of the Listing Rules, the Group publishes and distributes the Notice of Annual General Meetings on time. The Annual General Meeting was held on 21 June, 2022.

In the meantime, the Group attaches importance to maintaining the well-established relationship with our investors, and expands the coverage of funds in Mainland China, Hong Kong and even worldwide. A number of local and international investment bank sellers regularly publish research reports related to the Group, attracting the attention of many institutional investors. More open dialogue through videos, investor meetings, roadshows and medical summits connects the management and Investor Relations Department of the Group with investors to ensure that the market and investors have an in-depth understanding of the Group's business development, core strategies and corporate governance principles. In addition, we maintain effective communication with shareholders, investors and the public through the website of the Stock Exchange (www.hkexnews.hk), the Company's official website (www.innocarepharma.com), corporate account on WeChat and other channels, and publish, in a timely manner, the latest information regarding our business operations and development, financial data, corporate governance practices and other data. In 2022, the Group held more than 900 investor exchange meetings with Hong Kong and international institutional investors and research analysts.

While complying with laws and regulations such as *the Hong Kong Companies Ordinance, the Securities and Futures Ordinance, and Appendix 14 to the Listing Rules: Corporate Governance Code and the Appendix 10 to the Listing Rules: Model Code got Securities Transactions by Directors of Listed Issuers issued* by the Stock Exchange of Hong Kong, the Group formulates *the Management System for the Holding and Trading of A Shares of Companies by Directors and Senior Management and the Insider Registration Management System*, in view of the relevant requirements of *the Guidelines of the Shanghai Stock Exchange on Related Party Transactions of Listed Companies* and taking into account its dual listing on both Hong Kong and Shanghai stock exchanges, so as to consolidate the Group's management of insiders, directors and related party transactions. Moreover, the Group adopted a dividend policy without any pre-set dividend ratio, and the dividend ratio should be determined according to the internal financial conditions and the terms and factors set out in the dividend policy. The final dividend for any financial year shall be subject to the approval by shareholders.

Upon the completion of InnoCare's listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange in 2022, the Company initiated a new "H+A" journey both on the Shanghai and Hong Kong stock exchanges, and also gained recognition from all walks of life for our innovation capacity and investment value. InnoCare was awarded the Most Valuable Pharmaceutical and Medical Company among listed companies by Zhitong Caijing for the second year in a row, and Guru Club's Greater China Best Listed Company Awards 2022: Most Valuable IPO of the Year granted by Gelonghui, and the Investor Relations Department was honored the Best IR Award for listed companies granted by Zhitong Caijing for two consecutive years.

2. CORPORATE GOVERNANCE RESPONSIBILITY

2.3 RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board of Directors of the Group, as the decision-making body for internal risk management and internal control, is responsible for the planning, implementation and supervision of the risk management strategy. The primary duties of the Audit Committee of the Board are to assist the Board in providing independent opinions on the effectiveness of the Group's financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Internal Control Department within the Group is in charge of the implementation of the risk management strategy at the management level, regular evaluation and review of the internal control system and various control measures therein to ensure the adequacy and effectiveness of such control measures. The results of the evaluation of the internal control system will be reported to the Audit Committee by the Internal Control Department on a regular basis, and the opinions of the Audit Committee and other functional departments will continue to improve the Group's internal control system to smooth information exchange within the Group, so as to identify and respond to changes in the risk environment in a timely and effective manner and achieve the Group's strategic goals.

On top of a series of rules and regulations related to the quality system, the Group has formulated management systems for risk management such as *the Regulations on the Management of Corporate System Documents, the Credit Management Systems, Measures on the Management of Monetary Fund and Bank Account, the Contract Management Systems of InnoCare and Responsibility Systems on the Management of Environment, Health and Safety*, which comprehensively cover the risks that may be involved in our business activities and provide a basis for our risk management work. According to *the Risk Grading Management System*, we have identified the major risks that require management measures including operational risks, adverse drug reaction risks, financial risks, credit risks, and EHS risks, and the corresponding management measures are shown below.

Responding Measures for Major Risks

Major Risks	Measures
Operational Risks	The Group's management conducts a systematic analysis of the Group's operations at least once a month, assessing the potential risks faced by the Group and the corresponding measures. The Group reduced offline product promotion and medical education activities, and instead digital solutions were adopted, which not only protected the health of employees and partners, but also timely transmitted medical knowledge and information.
Adverse Drug Reaction Risks	The Group's management has established an effective adverse drug reaction reporting mechanism, including training, reporting and other procedures, and third-party suppliers are also required to comply with the Group's reporting mechanism. The results are regularly summarized and analyzed by the Pharmacovigilance Department, and effective measures are formulated accordingly.
Financial Risks	The Group's management steadily achieves its strategic development goals and reasonable resource allocation through annual budget management. On the one hand, measures such as budget management, cost control awareness promotion and digital tools are adopted to improve efficiency and reasonably control costs. On the other hand, we secure sufficient capital reserves through listing and financing to meet the continuous high investment need in the drug R&D and commercialization process and cope with market uncertainties and challenges. Meanwhile, an effective financial reporting mechanism and a standard review process for monthly, quarterly and annual financial reports have been set up, enhancing the reliability, accuracy and transparency of financial information reporting and disclosure, and protecting the rights and interests of investors.
Credit Risks	A strict dealer access system was created. With a focus on the assessment and review of the credit risk of dealers, the Group has conducted reviews and adjustment on the credit risk of all cooperative dealers quarterly. In addition, the Group has an effective accounts receivable management system to ensure that credit risks are updated and controlled in a timely manner.
EHS Risks	The EHS Department has formulated a sound training system. Also, the Group's management and the EHS Department jointly work out a mechanism for daily safety inspection and quarterly safety inspection, and the EHS department is responsible for tracking and rectifying the inspection results, significantly reducing potential safety risks. In the event of a safety incident, the Company's Safety Committee would carry out the investigation independently or cooperate with the government department according to the accident level, and issue an investigation report within 10 working days after completion of the investigation.

2. CORPORATE GOVERNANCE RESPONSIBILITY

Internal control

Based on the development requirements of its business strategy, the Group fully identified potential risk points of the Group through the analysis of historical data and the estimation of the Group's business early this year, while updating the Group's internal control systems and management systems in a timely manner. At present, the Group has formulated 43 management systems, including, among others, *the Long-term Asset Management System, the Engineering Construction Project Management System, the Procurement Management System, the Production and Cost Accounting, the MRP Receipt and Payment Management Process*, etc., to ensure the efficient operation of the internal control systems.

In order to create a more effective control environment, the Internal Control Department has standardized the Group's policies and systems through digital solutions, including but not limited to drafting, reviewing, releasing and investigating the system. At the end of each quarter, the Group shares all new, updated or abolished policies and systems with all employees through a dedicated mailbox to ensure adequate and timely communication.

In the meantime, in line with the differences in the organizational structure and departmental functions of the Group, the Internal Control Department has established an internal control matrix at the Group level. The matrix mainly covers relevant control measures related to sales and payment collection management, fixed asset management, EHS management, pharmacovigilance management, procurement and payment management, human resources management, production and planning management, R&D and clinical management, financial management and information technology management. According to the different effects of relevant control measures on the Group's operations and financial statements, we classify them into three risk levels: high, medium and low, dealing with them based on priority level of the risks. Such feedback information would be provided to relevant functional departments in a timely manner, and dynamic adjustments are made after considering the Group's strategic objectives and its own operations to effectively respond to risks.

In addition, the Internal Control Department classifies the identified internal control deficiencies into major, significant and general deficiencies according to the degree of deficiency, taking into account factors such as the size of the Group, industry characteristics, risk appetite and risk tolerance. In 2022, the Group did not identify any major or significant deficiencies in its internal control.

3. PRODUCT AND SERVICE RESPONSIBILITY

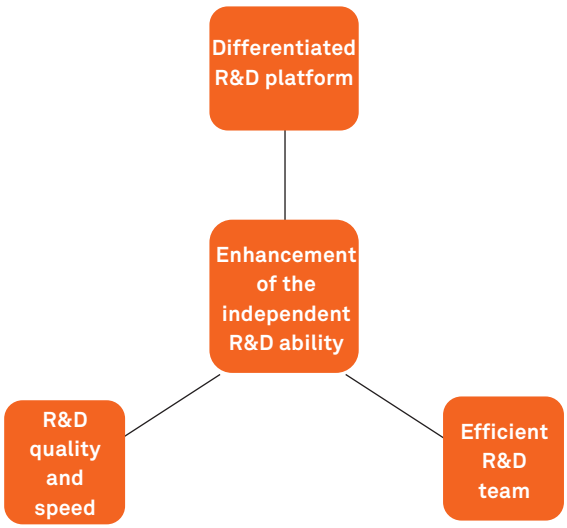
Focusing on the two fields such as cancers and autoimmune diseases, InnoCare is committed to driving the development of innovative drugs with science and technology and providing patients with more choices of new drugs for their treatment. We have a world-class R&D team and strong R&D and innovation capabilities, and can manage the drug innovation and development in each part more safely and effectively; and we keep improving operational efficiency and quality control during each process by continuously perfecting the whole-process quality management system.

3.1 RESEARCH AND DEVELOPMENT ("R&D") AND INNOVATION

R&D and Innovation Capabilities

Since its inception in 2015, InnoCare has been holding fast to the development idea of "technology-driven innovation and patient need orientation", has built a team of talents with rich experience in drug R&D, clinical development, production and commercialization, and has set up an all-in-one biopharmaceutical platform for a strong product pipeline covering hematological malignancies, solid tumors and autoimmune diseases.

Innovation is the foundation for the biopharmaceutical industry. To continuously enhance the independent R&D ability, the Group keeps working with its differentiated R&D platform, efficient R&D team, and equal emphasis on R&D quality and speed.



The Group has built a number of world-class core technology platforms that cover the drug discovery and development process with differentiated competitive advantages, including a compound optimization platform, a drug crystallization process research platform, a technology development and industrialization platform for solubilizing preparations of insoluble drugs, and a translational medicine research platform. These platforms cover five functional units: target identification, drug discovery, clinical development, drug manufacturing and commercialization, supporting the Group's independent chemistry, biology, pharmacology, pharmacokinetics, toxicology and CMC (chemical component manufacturing and control) research, as well as drug crystallization process research and development. In 2022, the Group was approved by NMPA in China to start the commercial production of the self-developed BTK inhibitor Orelabrutinib by its Guangzhou production base, which will build a technical platform to improve the solubility of poorly soluble drugs and will equip three major platforms: the solubilization preparation technology for poorly soluble drugs, the release preparation technology for oral solid dosage forms and the targeted drug delivery technology, so as to improve the bioavailability of drugs and meet the needs of new drug development and production in a more effective way.

3. PRODUCT AND SERVICE RESPONSIBILITY

The Group is active in building professional R&D teams and keeps enhancing its independent R&D ability. We have diverse, highly educated and professional Scientific Advisory Board members and R&D teams in China, the U.S. and other countries and regions. All team members have extensive industry experience, a profound understanding of product differentiation and a keen ability to capture clinical opportunities, which enable them to fully exploit the therapeutic potential of our pipeline products for a wide range of indications. In the meantime, our two R&D centers with their respective independent R&D abilities have been established in Beijing and Nanjing to support our research on chemistry, biology, in vivo potency, pharmacokinetics, toxicology and CMC.

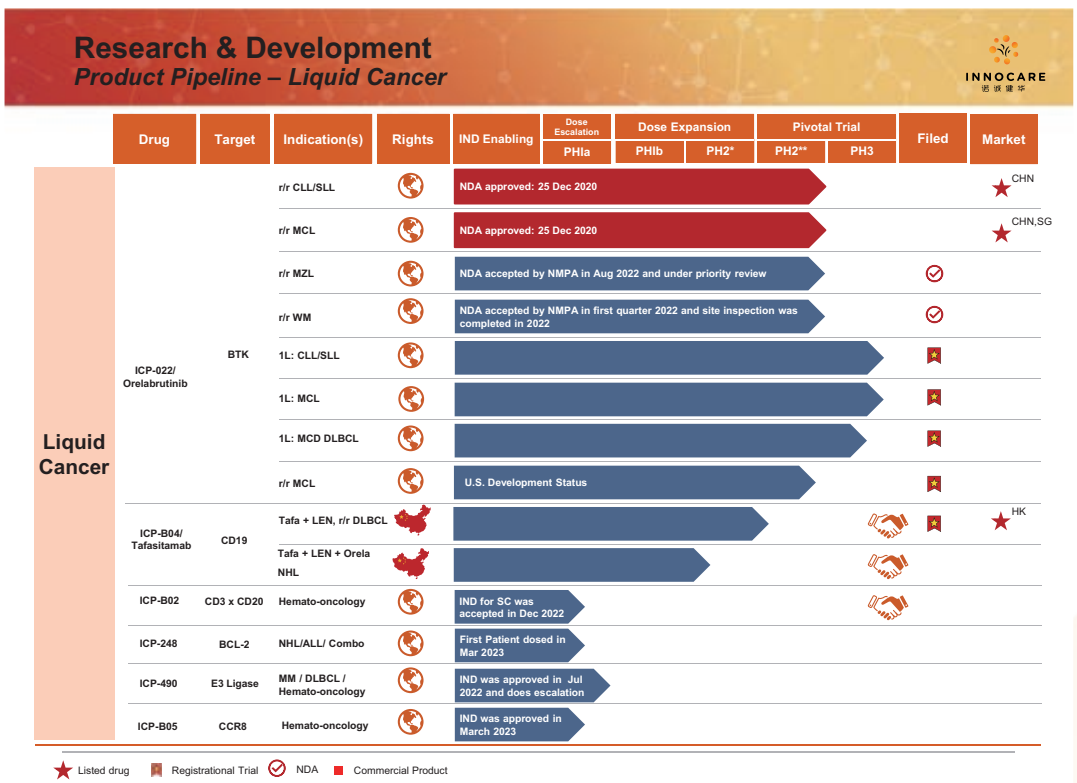
For clinical development, we have built a strong team covering medical research, data management, statistical analysis, pharmacovigilance and clinical operation, and its members are located in China and the US. While the self-owned team effectively controls the key steps in the clinical development, we also cooperate with leading clinical CRO companies in the industry, to ensure that clinical trials (including global multi-center clinical trials) initiated by the Company can be conducted quickly in a high-quality manner.

To retain and motivate researchers and developers, the Group has established a R&D incentive scheme to encourage innovation by rewarding inventors or designers for their R&D achievements. As at the end of the Reporting Period, the Group had 430 R&D personnel, representing 43.8% of the total number of employees.

Besides, the Group also actively cooperates with external agencies in the clinical development for more efficient research and development of drugs, so as to benefit more patients soon. In 2022, we worked with KeyMed to develop the potential first-in-class drug CM369, which was developed as the monotherapy or a therapy combined with some other therapy or therapies for terminal solid tumors with high incidence, including lung cancer, digestive tract cancer, etc. Currently, we have received the *Notice on Approval of Clinical Drug Trials* signed and issued by the National Medical Products Administration after the examination and approval, approving the clinical trials for terminal solid tumors of CM369 which was the targeted CCR8 monoclonal antibody researched and developed by the joint venture Tiannuo Jiancheng.

By leveraging efficient R&D platforms and internal and external collaboration, the Group has achieved encouraging R&D results and continued to promote the development of its product pipelines. Orelabrutinib is at the commercialization stage; Tafasitamab has been approved for use in Hong Kong and Bo'ao in Hainan; 13 drugs are at the clinical stage with more than 30 clinical trials at different stages being conducted worldwide; and a number of innovative drugs are at their respective preclinical stages. Through precision medicine, the Group strives to expand the types of drugs under development covering the field of solid tumor diseases, and provides correct drugs to patients in need in a timely manner in order to benefit more patients.

InnoCare R&D Pipeline Drawing Diagram in 2022



3. PRODUCT AND SERVICE RESPONSIBILITY

The Group is also active in communicating with the outside world about its R&D and clinical research progress. In 2022, we held the "2022 R&D Day for Investors" event with the theme of "science-driven innovation", at which the Company's management team and some industry experts shared information about the Group's R&D and clinical research progress and innovation highlights in the fields of hematological malignancies, solid tumors and autoimmune diseases, and conducted in-depth communication with many investors and analysts.

In 2022, the Group received external recognition for its R&D and innovation capabilities. For example, Orelabrutinib tablets (Yinuokai) were recognized by five authoritative government departments of Beijing and were awarded the "Beijing Certificate for New Technology or New Product (Service)"; while the Orelabrutinib R&D team was evaluated as one of the "Top Ten Drug Innovation Research Teams in 2021", etc.

R&D Ethics

Attaching great importance to the protection of the subjects' rights and interests, the Group strictly abides by the *Good Clinical Practice (GCP)* and other laws and regulations. We have set up our Ethics Committee for the ethical review on each part of the clinical drug trials.

Also, the Group has laid down the *Ethics Committee Framework and SOP* 《倫理委員會框架與SOP》 and other systems to manage ethical risks and define the duties of each department in the management. During the process of clinical trials, under the management system for the protection of the subjects' rights and interests, we sign a *Clinical Trial Agreement* 《臨床試驗協議》 and an *Informed Consent Form* 《知情同意書》 with each of the subjects, which clearly describe detailed information about possible risks and discomforts, possible adverse events and subjects' rights to ensure the subjects' understanding of the nature, risks and benefits of the trial and the subjects' rights.

Besides, we also strictly comply with the *Laboratory Animal Guideline for Ethical Review of Animal Welfare* (GB/T 35892-2018) of the People's Republic of China, the *Care and Action Plan for Laboratory Animals* 《實驗動物關懷與行動計劃》 of the United States and other laws and regulations to protect the welfare, rights and interests of laboratory animals.

Our Institutional Animal Care and Use Committee (IACUC) has formulated institutional documents such as the *IACUC Management Procedures* 《實驗動物福利倫理委員會管理程序》 and the *Care and Action Plan for Laboratory Animals* 《實驗動物關懷與行為計劃》 in compliance with the above laws and regulations, and has conducted an ethical review of animal welfare.

Intellectual Property Protection

The Group regards intellectual properties as its core competitiveness and knows well their importance for a high-tech innovative pharmaceutical enterprise. Strictly abiding by laws and regulations including the *Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Law of the People's Republic of China on Scientific and Technological Progress*, we have implemented a range of measures in respect of external cooperation, internal employee and information management to effectively protect our trade and technology secrets and minimize the potential risk of infringement of the intellectual property rights of others. We will promptly file patent applications in the relevant countries and regions where our technological path and development strategy allow.

In 2022, the Intellectual Property Department provided the pre-clinical R&D teams of each company under the Group with special training with the theme of "patent information and data protection" to raise employees' awareness of intellectual property protection. During the Reporting Period, the Group filed 48 patent applications in multiple countries and regions (including China, Australia, the United States, the European Union and Japan), out of 275 patent applications filed in total, and held 54 licensed patents, providing life-cycle intellectual property protection for our products.

Intellectual Property Protection Measures and Actions

External cooperation	Employee management	Information security management
• Where external collaborative projects involve confidential information, we sign contracts including confidentiality agreements with the relevant parties to ensure that the contracts provide adequate protection for the intellectual property rights of both parties.	• We sign Confidentiality, Proprietary Information and Intellectual Property Protection Agreements and Non-Compete Agreements with our employees that define the rights and obligations of both parties in relation to the protection of intellectual property rights. • We actively organize intellectual property protection training to raise employees' awareness of intellectual property protection.	• In terms of information security, we set requirements for access permissions, approval mechanisms, document storage and backup according to employees' position levels and document confidentiality levels to reduce the risk of intellectual property leaks.

3.2 ENTIRE PROCESS QUALITY MANAGEMENT

Product Quality Management System

We strictly comply with the laws, regulations and guidance documents including the *Drug Administration Law of the People 's Republic of China, the Regulations for the implementation of the Drug Administration Law of the People's Republic of China, the Administrative Measures on Supervision of Drug Production*, the *Measures for the Administration of Drug Registration*, the *Administrative Measures for Post-marketing Drug Changes (for Trial Implementation)*, the *Regulations on the Administration of Drug Instructions and Labelling, the Good Manufacturing Practice* (the "GMP") 《藥品生產質量管制規範》, the *Good Clinical Practice* (the "GCP") 《藥物臨床試驗管理規範》, the *Good Laboratory Practice* (the "GLP") 《藥物非臨床研究質量管理規範》, the *Notice on Matters Relating to Direct Reporting of Adverse Reactions by Marketing Authorization Holders and the Pharmacovigilance Quality Management Regulation*, as well as the international standards such as the relevant specifications of the International Council for Harmonisation (ICH) of Technical Requirements for Pharmaceuticals for Human Use.

3. PRODUCT AND SERVICE RESPONSIBILITY

The Group has established the *Quality Risk Management Regulations* (《質量風險管理規程》), and identifies, assesses, controls and monitors risks throughout the product lifecycle, including R&D, production, storage, transportation and service, to ensure that the quality management tasks can be performed efficiently at all stages.

In the meantime, the Group makes quality risk assessment and analysis using risk assessment tools such as failure mode and effects analysis ("FMEA"), hazard analysis and critical control points ("HACCP") and auxiliary statistics, further guaranteeing the effectiveness of the product quality management.

Furthermore, we provide regular training on quality management systems for all employees, including new employee orientation and annual GMP quality training. The annual quality system management reviews are conducted at least once a year and include key quality performance indicators, internal and external audits and regulatory inspections and corrective and preventive actions ("CAPA"). The results of these reviews are recorded in the *Quality Management Review Meeting Minutes* (《質量管理評審會議記錄》). Based on the recommendations from the reviews, we develop an action plan with clear improvement measures, responsible persons and completion dates. In 2022, we passed the audit of European Union Qualified Person (QP). In addition, our MAH quality management system and production base in Guangzhou have been approved by Beijing Municipal Medical Products Administration and Guangdong Medical Products Administration respectively after the on-site verifications.

R&D Quality Management

Before a product enters clinical trials, the Group conducts GLP-compliant toxicology studies and pharmacology studies on the products under study, and submits clinical trial applications as required by the regulations. During the clinical trial process, we conduct protocol design, production of clinical drugs, clinical trial operations, data collection and management, and statistical analysis and submit new drug applications in strict accordance with the requirements of the *Guideline for Good Clinical Practice of the International Conference on Harmonisation* (ICH-GCP), the Appendix of Drugs for Clinical Trials to the *Good Manufacturing Practice*, and other laws and regulations.

Quality Management in the Production Process

For strict product quality requirements throughout the production process of products, the Group has developed the *Management of Production Plans* (《生產計劃管理》), the *Drugs Release Management Procedure* (《藥品放行管理規程》), the *Management Rules on Quality Management Reviews* (《質量管制評審管理規程》) and other systems, strengthening the product quality management. For example, at our production base in Guangzhou, all the materials are allowed to enter the factory after they are inspected for quality before the production, for our management and quality control over the suppliers of materials; our intermediate products are constantly inspected for in-process control and the production process is under continuous control in the production process; after the completion of the production process, we analyze and test the finished products and allow them to leave the factory after the QA reviews and approves the documents in the entire production process, so that the product quality can be guaranteed and the product registration requirements are met.

The Group highly values the responsibilities that a MAH holder should bear as well as the product quality management of the engaged enterprises. The engaged drug manufacturers are required to inspect and manufacture the products in accordance with our transfer process procedure and the relevant approval standards for material and product quality, and the products can only be released to the market after having been approved by our quality authorized person. In the meantime, the Group regularly conducts on-site inspections and audits of the quality management system of the engaged manufacturer, issues audit reports and monitors its rectification.

Besides, the Group carries out the self-inspection of product quality and establishes the self-inspection schedule and plan according to the *Self-Inspection Management Rules*. During the Reporting Period, the Group has completed the annual self-inspection and worked out the self-inspection report as planned, and no items that affected the product quality were found according to the self-inspection result. For the product quality management item that can still be improved further, we will follow up and put into practice the improvement measures by implementing the management systems on the CAPA, so as to enhance the product quality management level.

In terms of product labelling, we undertake to strictly comply with laws and regulations relating to product labelling and ensure that truthful and rigorous product and academic information are provided to the public during the sale of drugs. We enter into engagement agreements and quality agreements with engaged manufacturers to ensure that they carry out their manufacturing activities in accordance with the manufacturing process, quality standards, instructions and labelling approved in the drug registration certificate.

3. PRODUCT AND SERVICE RESPONSIBILITY

Product Verification and Corrective and Preventive Measures

Strictly abiding by the *National Registration Standards*, the *Chinese Pharmacopoeia* and other laws and regulations, the Group has formulated the *Quality Standards for 50 mg of Orelabrutinib Tablets* and other internal inspection standards for the product quality inspections. For nonconforming products, we have developed the *Management Rules on Nonconforming Products*, for effective control and management of nonconforming products. For the deviations and defects and the nonconforming products due to deviations in the production process, the Group has formulated the *Deviation Management Rules* and other systems, specifying the deviation management duties and deviation management process of each department.

Handling Process of Nonconforming Products

Post-market Product Management

Strictly complying with the *Good Pharmacovigilance Practice (GVP), the Notice on Matters Relating to Direct Reporting of Adverse Reactions by Marketing Authorization Holders* and other requirements, the Group has worked out the *InnoCare Pharmacovigilance Policies* 《諾誠健華醫藥有限公司藥物警戒政策》 and other management documents to govern the collection and handling of adverse events, fully guaranteeing the drug safety.

To guarantee the drug safety, we have established the Drug Safety Committee, which is responsible for identifying drug safety risks, handling major events, making decisions on the control of drug risks, and detects safety signals on a regular basis to constantly monitor the potential adverse reactions and safety problems.

We encourage all our employees, partners or the public to inform the Group of any adverse reaction or other security event by dialing the hotline (400-635-1999) or sending an e-mail to the e-mail address (PV@innocarepharma.com) after they know it. For the handling of an individual security report on a product marketed, we formulate independent standard operation procedures, mainly including the collection and review of cases, data entry, data quality control, medical review, submission of reports, report follow-up and death case investigation. Meanwhile, we also require all new employees to carefully read and sign the *Confirmation Letter of Duty Notification of Pharmacovigilance (PV) for InnoCare Employees* and to learn the regulations and systems on pharmacovigilance through the new employee training, so that they can fully understand the core contents of pharmacovigilance. During the Reporting Period, the Group was not involved in any group of adverse reaction events arising from any defect in drugs.

We have regulated the regional actions triggered by product defects, such as processes related to product recalls or field corrections, by using documents such as the *Regional Action Management Procedure* 《區域行動管理規程》. Moreover, we have established a process for handling product returns or exchanges, and in case of a need for product returns or exchanges, the Quality Department will follow this process to conduct inspection and analysis and make a decision on handling.

The Group did not have any incidents requiring recalls due to product safety or quality issues during the Reporting Period.

3.3 PROTECTION OF CUSTOMERS' RIGHTS AND INTERESTS

Information Security and Privacy Protection

The Group strictly complies with laws and regulations such as the *Data Security Law of the People's Republic of China and the Personal Information Protection Law of the People's Republic of China*.

For information security and privacy protection, we have established a perfect management system, covering the management regime, protective measures, and employee awareness raising, and strengthened the information security management. During the Reporting Period, the Group had no incidents of privacy leakage involving related parties.

Information security and privacy protection management system

Management systems	In 2022, we adjusted the existing information management system by adding and updating a total of 11 management systems on information management, including: • Additional released systems: the *Information System Access Management System*, the *Information System Change Management System*, the *Computerized System Access Right and Password Management*, the *Information-Based System Events Management Regulations*, the *Machine Room Safety Management System*, etc.; • Updated systems: the *Management System on Information System Disaster Recovery*, the *Management System on Information-Based System Accounts*, the *Backup, Archiving and Recovery of Computer Informatization System*, etc.
Protective measures	• The updated management requirements for data security have been uniformly standardized from the information-based application system terminal to the personal computer terminal for employees; • The preventive and protective safety measures were strengthened in the cloud data center and the local IDC. The ability to protect network and data was improved; • The disaster recovery center was built in the cloud data center for the continuity of the important business of the Company in disaster scenarios; • The data backup and encrypted storage strategies were formulated; a uniform data backup center was established; and the remote multi-site backup mechanism was completed; • For third party visitors, the information management regulations were set, including the regulations on visitor registration, visitor reception, wireless network for visitors, etc.; • Anyone who lends out or spreads all documents of the Group to any third party will be held accountable and bear legal liabilities; • The personal privacy management system was established, defining the privacy protection requirements for handlers of personal information and perfecting our own data security capability and risk management.
Employee awareness-raising	• Information security training was offered to employees on a regular basis and were added to new employee orientations as the monthly training covering all new employees, raising employees' awareness of information security significantly.

3. PRODUCT AND SERVICE RESPONSIBILITY

Customer Complaint Handling

The Group values the opinions of our customers and receives customer feedback through communication channels including email (info@innocarepharma.com) and hotline (400-635-1999) which are available on our official website.

We formulated the *Product Complaint Management Procedure* 《產品投訴管理規程》 to continuously enhance the product complaint handling. Upon receipt of a complaint, we will immediately perform a series of tasks including registration, assessment, investigation, continuous follow-up and report summary. In the assessment process, we classify customer complaints into different categories on the basis of their severity, handle them separately and give each complainant a reply and proper solution within a time limit, with appropriate extensions in exceptional circumstances. In the meantime, we take strict corrective and preventive measures to guarantee the customer satisfaction. In 2022, the Group received a total of 8 complaints about quality and solved 100% of customer complaints.

Besides, we have also established a patient or physician feedback channel by setting up a medical service contact channel to obtain information about the drugs in the market and continuously monitor the improvement of the drugs that have entered the commercialization stage. During the Reporting Period, the Group has investigated and handled all the complaints about products or services.

4. TALENT DEVELOPMENT RESPONSIBILITY

InnoCare values the career development and social life of our employees, providing them with a safe, healthy and comfortable working environment. We have a standardized system and offer diverse benefits and specialized training. From source innovation, clinical development and drug production to commercialization, we are constantly building up our talent pipeline and attracting and optimizing talents to maintain scientific innovations and the driving source of long-term stable development.

4.1 EMPLOYEE RIGHTS AND BENEFITS

Employment

The Group strictly complies with the laws and regulations including the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Minors and the Social insurance Law of the People's Republic of China*, under which the Group has developed an Employee Handbook《員工手冊》to regulate the employment and dismissal, remuneration, promotion, benefits, working hours and rest periods, anti-discrimination and equal opportunity of employees, for improvement of its systems and measures.

The Group has three types of employees: regular employees, labor dispatch employees and part-time employees. We uphold the principles of fairness, equity and openness in recruitment, eliminating any form of discrimination and unequal competition, and do not discriminate against employees on the basis of their gender, age, marital status, nationality or religious beliefs. The employment and dismissal of employees shall be subject to the approval and operational procedures set out in the *Employee Handbook*, fully safeguarding employees' legal rights and interests.

We operate a standard working hour system, a flexible working hour system and a comprehensive working hour system. We apply as needed to the administrative department of labor security for the implementation of the flexible and comprehensive working hour systems. We encourage our staff to work more efficiently and to complete their work tasks on time, with the right quality and quantity. If employees need to work overtime, they must apply in advance in writing to their respective departments for approval. The Group compensates for the approved overtime work by exchanging the time off or making overtime payment.

We are firmly against all forms of workplace harassment. The Employee Handbook clearly states that workplace harassment of any kind, including verbal, physical and visual harassment, is prohibited. This clause applies to the Group's all employees, customers, suppliers and other individuals with whom the Group conducts business. Based on our management regulations, we have categorized workplace harassment and provided examples to help employees better understand the boundaries of behavior, so that they can regulate themselves strictly. Besides, we have made it clear in our *Employee Handbook* that in the event of a breach of the above, we will deal with the matter promptly and take legal action where appropriate.

We strictly comply with the laws, regulations and industrial standards for employment and labor, and prohibit child labor or forced labor. When a new employee joins us, he/she is required to sign an employment contract and provide documents including his/her identity card, proof of academic qualifications and proof of termination of employment with his/her previous employer to ensure that his/her identity is genuine and valid, and that there is no employment in violation of relevant regulations. We have strict regulations and procedures to ensure that there is no forced labor or child labor.

4. TALENT DEVELOPMENT RESPONSIBILITY

The Group had no incidents of violation of labor employment-related laws or regulations nor labor disputes during the Reporting Period.

Employee Benefits and Care

In line with our "people-oriented" philosophy, the Group offers a comprehensive welfare program. Our actions mainly focus on four areas: insurance and leave benefits, life and work balance, employee care initiatives and daily communication mechanisms to enhance the sense of belonging and well-being of our employees.

Employee benefits and caring measures

Care category	Specific measures
Insurance and leave benefits	• All regular employees are provided with social insurance and housing fund, supplementary commercial insurance and children's insurance. In 2022, the supplementary commercial insurance provided by the Group for each regular employee was upgraded, which could insure up to two children instead of a single child due to the coverage expansion, and the critical illness insurance was added as well. • Newly married and pregnant female employees are provided with wedding leave and half-day pregnancy checkup leave once a month, while male employees are entitled to a 15-day paid paternity leave. • The Group provides holiday benefits or hold activities for all kinds of legal holidays, such as celebration activities for International Children's Day on 1 June, International Women's Day on 8 March, greeting the New Year, and welfare distribution and Lottery Draw during the annual meetings of the Company. • The Group arranges a physical examination for each employee annually, guaranteeing the timely concerns for such employee's physical conditions.
Life and work balance	• In addition to statutory annual leave, the Group provides employees with supplementary annual leaves of 10, 12 and 15 days depending on their position level, which will increase annually 2 years after joining us and can be 20 or 25 days at most for each year. • The Group organizes badminton clubs and other cultural and sports activities after work. In 2022, the Group developed the management policy on team activity funds, and the internal teams used the funds to organize diversified team-building activities, enriching employees' lives.

Care category	Specific measures
Employee care initiatives	• The Group helps some employees in economic difficulty to obtain government support to relieve their pressure of renting a house. • The Group has regularly distributed masks and other health supplies for employees, actively comforted quarantined employees and provided assistance or psychological counselling during the quarantine, fully protecting employees' physical and mental health. • Our HR department provides those employees who suffer from psychological problems with help for proactive counseling. • A baby care room is prepared for female employees in each office area, providing professional facilities and a comfortable environment for those employees who are novice mothers. • Activities are organized on International Women's Day on 8 March for concerns about women's rights and interests and presentation of women's strength • Activities are organized for employees' children on Children's Day on 1 June, for which special gifts are offered to care for employees' children. • Greetings such as gifts and consolation money are sent to employees for their marriage, newborn children, death of immediate family members or other major events • Each employee is given some gifts for celebration in the birthday month.
Daily communication mechanisms	• The Group regularly holds corporate meetings for all the staff, shares the R&D projects and operation progress of the Company with employees, and communicates with them about the latest policies and development plans. • Regular dinners are arranged between leaders and key employees to discuss work problems and improvement measures. • Routine communication about work is conducted through real-time communication platforms such as WeChat account of the Company and regular meetings.

4.2 EMPLOYEE TRAINING AND RETENTION

Employee training and development

With the goal of "creating a highly efficient and best organization with a good and distinctive corporate culture", the Group provides diversified vocational training courses and an attractive remuneration and promotion system for employees to enhance their professionalism and retain outstanding employees, thus ensuring our independent innovation and R&D capability.

4. TALENT DEVELOPMENT RESPONSIBILITY

The Group builds a perfect employee training system, regularly organizes training activities such as new employee orientation, skill training, professional knowledge training and management training. In the meantime, our departments also irregularly organize professional training that covers 100% of our employees. In November 2022, the "InnoCare New Drug Club" organized a "Discovery of Innovative Micromolecule Therapy" lecture, in which a total of 200 employees participated. In the same month, we also started a series of online management training of China Europe International Business School (CEIBS) for high-performance managers, a half-year program with the participation of a total of 80 employees at all levels.

InnoCare employee training system

Management trainings: The online management trainings for high-performance managers were carried out

Professional trainings: They included the internal in-service training of departments, as well as the training offered by the InnoCare New Drug Club, explaining all the stages of drug research, production and sales

Skill trainings: The work-related skill trainings were carried out, such as Excel training, etc.

New employee trainings: On the basis of the number of new employees, regular new employee trainings were conducted every year. The contents included the guidebook on new employee's induction, new employee orientation, etc.

Employee Promotion and Retention

The Group fully guarantee the promotion and career development of our employees. Through regular market surveys, we provide employees with market-competitive salaries, re-evaluate their salary structure and level every year, and make salary adjustment decisions according to market conditions, performance of the Company and employees. We also conduct a regular promotion program in April every year, in which the department head, human resources leader and the CEO of the Company evaluate employees' performance, professional behavior and work attitudes and then decide the further development of employees along the managerial or professional career path according to the assessment results after taking into account the employees' willingness.

We have established a diversified incentive system. In terms of work appreciation, we have set up annual awards for outstanding employees and outstanding performance that provide appropriate bonuses for recognition and encouragement. The awards are presented at the annual meeting or anniversary celebration. In addition, we have established an equity incentive mechanism to grant RSUs to eligible core team members on key technical or management positions. In March 2023, the Group granted 1,110,000 RSUs to 8 grantees under the 2018 Pre-IPO Incentive Scheme, including 610,000 RSUs to 7 employee participants.

4.3 EMPLOYEE HEALTH AND SAFETY

Development of security system

We adhere to the Environment, Health and Safety (EHS) policy of "safety first, environmental friendliness, concern for health, prevention prioritized, conjunctive management, and shared responsibility". In order to fully protect employees' health and safety, the Group has established internal systems including *the EHS Organizational Structure and Responsibilities*, the *Environmental, Health and Safety Management Accountability*, the *EHS Publicity, Education and Training System*, the *EHS Safety Inspection and Regular Meeting System*, the *EHS Inspection and Regular Meeting System*, the *Risk Grading Control System*, the *Investigation and Management System for Production Safety Accident Hazards*《安全生產事故隱患排查治理制度》in strict compliance with the laws and regulations such as the *Work Safety Law of the People's Republic of China, the Fire Protection Law of the People's Republic of China, and the Regulations on Safety Management of Hazardous Chemicals*. Furthermore, the Guangzhou production base has formulated 565 EHS system documents such as the *EHS Management Manual* on the basis of the Group's management system, and has obtained ISO 45001 occupational health and safety management system certification during the Reporting Period to improve the occupational health and safety management and to fully support the Group's business development.

While complying with the *Work Safety Law of the People's Republic of China*, the Group upholds the concept of "putting safety management at the core of industry, business and production management", has built up and improved the work safety accountability system for a sound EHS management structure, and the EHS Management Committee was set up. The EHS Management Committee is chaired by the CEO, and each of the leaders in charge of systems serves as the vice chairman, while each of the heads of departments serves as a member, so that multiple parties cooperate to carry out EHS management. In 2022, with the continuous efforts of the EHS Management Committee, the work safety accountability system and production safety rules and regulations for all employees were constantly improved, and a dual prevention mechanism for safety risk grading control and hazard investigation and governance has been established, to strengthen the development of production safety standardization.

Based on its internal business conditions, the Group sets annual targets for production safety accountability. By way of the statement of responsibilities for EHS target, such targets are broken down and implemented. Senior management conducts regular analysis of performance indicators and data, enhancing the review of the operation department as well as conducting internal and external reviews. The Group incorporates the implementation of safety measures into management's annual performance evaluation.

4. TALENT DEVELOPMENT RESPONSIBILITY

Each of the Group's production bases has an EHS management department, with full-time and part-time safety management staff, to supervise and inspect the departments for effective implementation of the safety targets. At the Guangzhou production base, for example, the 2022 Statement of Responsibilities for EHS is signed by the person-in-charge and the heads of 11 departments of Guangzhou InnoCare for confirmation of production safety goals of such departments. We have set 2022 EHS targets including "0 major injury accident" and "0 occupational disease accident", and all the targets have been achieved. In addition, management systems such as the *QC Laboratory Management Process* 《QC實驗室管理流程》 and the *QC Laboratory Safety Management Procedure* 《QC實驗室安全管理規程》 are formulated by us for strengthening laboratory safety management, and the basic requirements for the laboratory safety are standardized to regulate the five major factors in laboratory, namely personnel, machines, materials, methods and environment. For hazardous chemicals, the *Safety Management System for Hazardous Chemicals* is prepared to strictly regulate the purchasing, transport, storage, use and disposal of hazardous chemicals, so as to reduce the potential adverse effects of hazardous chemicals on employee safety and the environment.

In 2022, the Group conducted a total of 37 safety inspections and 260 hidden peril identifications. All the problems found in safety inspections and hidden peril identifications have been rectified during the year.

Safety training and emergency drills

The Group strictly adheres to the principle and policy of "safety first, prevention foremost and comprehensive governance", and further implements the work safety accountability system for all employees.

In 2022, the Group updated the *EHS Publicity, Education and Training System*, improved the safety training system, added new contents of occupational health and safety for publicity to the systems, and refined the training categories required for employees according to job characteristics, providing different courses for employees of diverse positions. The courses include the interpretation of laws and regulations, safe use of hazardous chemicals, fire safety, prevention and treatment of occupational diseases, selection and proper wearing methods of protective equipment, accident emergency rescue and handling, and typical accident cases. For instance, during the construction of the drug production workshop, the Guangzhou production base continuously provided training courses for employees on basic chemical knowledge, chemical equipment knowledge, chemical unit operation, and operational risk identification, aiming to promote employees' abilities of chemical utilization and self-protection.

Safety Training System

Pre-job training	• Employees must receive occupational health and safety-related training, acquire safety skills to deal with risks and pass an assessment before starting work. In 2022, a total of 382 new employees received health and safety-related training.
Special operations training	• Employees are trained and assessed according to the *Regulations for Safety Technical Training and Assessment of Special Operators*. In 2022, a total of 29 special operators received the training for special operation.
Education and training in new process, technology, equipment and material	• Before any new process, new technology, new equipment, and new material is put into production, the relevant employees will be trained on the safety operation procedures. In 2022, a total of 26 employees in the Guangzhou production base received the education and training in new process, technology, equipment and material.
Accident prevention and training	• The Group organizes accident prevention education and training for employees in response to external major accidents to prevent similar accidents from occurring in the Group. In 2022, we carried out 6 accident prevention education and training sessions in total.
Contractor personnel training	• The EHS Department provides safety education and training for construction personnel, who are allowed to enter the construction site only after passing the assessment. In 2022, we organized safety education and training for 1,083 contractors in total.

In 2022, we provided targeted safety training for employees in diverse positions, including fire control and evacuation drills, hazardous chemical fire drills in laboratories, hazardous waste leakage drills, and restricted space drills. The safety training covered all employees with a 100% passing rate for the assessment, which has effectively improved their capabilities for emergency handling, self-rescue, and saving each other under dangerous conditions, and raised their safety awareness.

4. TALENT DEVELOPMENT RESPONSIBILITY

The Group proactively carries out safety culture activities, promoting employees' awareness of production safety and their abilities of production safety management. In 2022, we organized the "EHS & MARATHON" activity to encourage all employees to participate in the identification and reporting of hazards every day, and rewarded them according to individual point ranking. This activity has further improved all employees' ability to identify hazards around them, and has strengthened their awareness of production safety. The 21st national "Production Safety Month" was in June 2022, when InnoCare proactively carried out a diversity of activities regarding production safety publicity and education in its offices in Beijing and Nanjing, and in the Guangzhou production base, including organizing safety training and emergency drills, holding knowledge competitions, watching publicity programs of production safety, and putting up posters about safety. The "Production Safety Month" activities have ensured the stability of the Group's production safety situation with a momentum for improvement, and further helped employees raise their awareness of production safety. In the future, we will continuously push forward production safety tasks.

Occupational health and safety

The Group strictly observes the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and has established the *Occupational Disease Hazard Project Declaration System*, identifying positions involving occupational disease risks, including laboratory personnel, hazardous chemical warehouse managers, and wastewater treatment personnel. The main occupational disease hazards to which they are exposed are chemicals they contact at work, such as methanol, acetonitrile, and ethyl acetate.

The Group firmly regards the "five 100%" of occupational health management as its objectives, safeguarding employees' rights and interests in occupational health, achieving full coverage on occupational hazard management, and avoiding occupational disease cases in the Group throughout the year.

For positions identified with occupational disease risks, we have provided negative pressure operation, airtight equipment, isolators, fume hoods, and top exhaust hoods, aiming to reduce the concentration of chemicals to which employees may be exposed to, and have regularly invited qualified occupational health institutions to conduct tests to ensure that the working conditions of employees meet health requirements. Meanwhile, we have also provided employees with personal protective equipment that meets the standards to minimize the negative impacts of the working environment on employees' health, protecting them from the hazards of occupational diseases.

4. TALENT DEVELOPMENT RESPONSIBILITY

In addition, we have provided comprehensive annual medical checkups for all employees and annual occupational health checkups for employees who are engaged in professional operations in chemistry, biology, pharmacokinetics, drug analysis, and pharmacology laboratories. The checkup results will be handled in accordance with the national occupational health regulations. In May 2022, we have improved the occupational health management system, and have determined a segment for occupational health files, which are updated in real time.

In 2022, the Group achieved 2,707,806 working hours LTI free, without work-related injury incident, fatality incident due to work-related injury or occupational disease hazard incident.

5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

InnoCare has actively responded to the national strategy of carbon peaking and carbon neutrality by adhering to the concept of green and low-carbon development and continuously improving its environmental management system. We have incorporated climate change issues into our risk management, reduced our carbon footprint by taking a variety of energy-saving measures and minimised the environmental impact of our operations and products by enhancing the rational use of resources and reducing pollutant discharge.

5.1 ENVIRONMENTAL MANAGEMENT SYSTEM

The Group has conducted operational and production activities in compliance with the laws and regulations including the *Environmental Protection Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China* and the *Regulations on the Administration of Medical Wastes*, always taking care to reduce the environmental impact of our activities in all aspects. During the Reporting Period, the Group's Guangzhou production base obtained ISO 14001 Environmental Management System Certification, fully supporting the Group's business development.

In 2022, the construction of the Group's biologics R&D platform project was completed. In the construction of the platform project, we always complied with the requirements of the *Law of the People's Republic of China on Environmental Impact Assessment*, the *Beijing Municipal Regulations on the Prevention and Control of Water Pollution* and the *Beijing Municipal Regulations on the Prevention and Control of Air Pollution* and conducted impact assessments on the surrounding air, surface water, groundwater, sound and soil environments. We always took effective preventive, emergency and mitigation measures during the construction process, including developing an accident pool, preparing emergency plans and taking biosafety protection measures, to minimize the negative impact of the construction project on the environment and natural resources. Furthermore, we had full-time environmental management personnel to regularly inspect and maintain the environmental protection facilities throughout the life cycle of the project and receive training on operation and emergency response to ensure the normal operation and compliant waste discharge of the facilities. In 2022, there was no violation of laws and regulations related to environmental protection occurring in the Group.

As the Group is gradually promoting the production of core products, the Group's data relating to resource use and waste discharge in the environmental field are expected to have greater changes compared with previous years. At present, we cannot predict the emission level in the coming years, hence we have not set quantitative environmental targets yet. In order to better carry out statistics and management of environmental performance, we will perform comprehensive statistics on various environmental indicators starting from 2021, including energy use, water resource use, exhaust gas and wastewater discharge, greenhouse gas emissions, etc. (please refer to the section headed "Key Quantitative Performance" for details), in order to establish a sound data management foundation and prepare for the subsequent formulation of medium and long-term ESG quantitative goals.

5.2 RESOURCE CONSERVATION

Use of energy and water resources

The energy used directly or indirectly by the Group in its production and operations includes electricity, steam and natural gas. The water used by the Group for production and operations is mainly municipal water, and there is no risk in sourcing suitable water sources.

5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

In terms of energy use, the Group has formulated the Energy Management Policy, regularly conducted energy statistics and analysis and formulated energy saving plans, and the specific energy saving measures were implemented by each energy using department.

In daily office work, we encourage water and electricity saving behaviours among our employees, improve their awareness of energy conservation through energy conservation posters and signs and require the air conditioning temperature to be no lower than 26°C in summer and no higher than 20°C in winter. In addition, personnel are required to promptly set highly energy-consuming equipment such as laboratory fume hoods to the lowest level after completing experiments to reduce energy consumption. Meanwhile, the EHS Department and the Administration Department regularly inspect both office and operation areas to enhance energy conservation management.

The Group takes various measures to publicise and implement water conservation. In our office premises, we promote awareness of water conservation among employees by posting signs and adopt water-saving devices such as induction taps and frequency-controlled pumps to reduce water wastage such as drips and leaks. In addition, we have set up a municipal reclaimed water recycling system and a reservoir to recycle water for toilet flushing, park road cleaning and greenery irrigation, enhancing the recycling of water resources. In the production workshop, we apply the condensate recovery system and disposable production technology, thus saving a large amount of water in the production process.

During the construction of the new plant in Beijing, we took full account of the feasibility of resource conservation and actively adopted energy-saving and environmental protection measures.

Energy-saving and Environmental Protection Measures in the Construction of the New Plant in Beijing

- Solar collectors are used as hot water heat sources for all buildings.
- The energy management system is used for the rational management and regulation of energy use in each building.
- Toilet flushing in each building and outdoor greenery uses reclaimed water as the water source.
- Considering that a networked type of control panel is adopted for fan coil units in public areas, they are controlled by an energy management system based on the working hours, holidays, temperature, etc., to save energy consumption.
- The low-NOx boiler uses a secondary coal economiser to recover the coal and a deaerator is designed to recover the condensate.
- The chillers have the tier-one energy efficiency. Total heat exchangers are equipped to recover heat for conditioners in dormitories and canteens .

5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

Use of materials and packaging

The raw and auxiliary materials used in the Group's production base are mainly active pharmaceutical ingredients and various pharmaceutical excipients, and the packaging materials are mainly cartons, plastic bottles or drums and cartons. We have established management systems including the *Material Supplier Management System* and the *Production Material Supplier List* for the refined management of the sources and usage of raw materials and packaging materials, and have formulated the *Material Management in the Clinical Trial Phase* to manage the use of clinical materials.

In addition, based on the *Production Materials Supplier List*, we ensure the source of suppliers, determine the quantity of materials used in each batch and establish a material balance system to ensure that material waste is minimised.

5.3 REDUCTION OF POLLUTANT EMISSIONS

The pollutants generated by the Group in the course of production and operation include solid waste, wastewater and exhaust gas. We strictly comply with laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Comprehensive Emission Standards for Atmospheric Pollutants*, the *Emission Standards for Atmospheric Pollutants from Urban Sewage Treatment Plants*, the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the National Hazardous Waste List (Version 2016)* and industrial waste disposal standards. Moreover, we have formulated internal management policies for the treatment of various pollutants on this basis. We monitor various discharge indicators in accordance with national and regional discharge standards to ensure compliant discharge after treatment, and develop pollutant reduction paths based on actual conditions. Meanwhile, we actively implement comprehensive utilization of resources to reduce the risk of secondary environmental pollution caused by the transfer of hazardous wastes. We actively implement the comprehensive utilization of resources to reduce the risk of secondary environmental pollution caused by the transfer of hazardous waste.

Wastewater	• Management policy: *Water Pollution Control and Management Procedure*. • Discharge categories: Domestic wastewater, production wastewater, laboratory cleaning wastewater. • Detection indicators: Chemical oxygen demand (COD), biological oxygen demand (BOD), ammonia nitrogen, total phosphorus (TP), total nitrogen (TN). • Treatment method: For wastewater generated in the production and operation process, fully automatic equipment for high-temperature steam biological inactivation is equipped. The wastewater is treated by the self-built wastewater treatment facilities to meet the standards before discharged into the municipal pipe network. • Reduction measures: Optimising production cleaning procedures to reduce wastewater generation at source.

Exhaust gas	• Management policy: *Air Pollution Control Management Procedure*. • Emission categories: Laboratory exhaust gas, odour generated in the treatment procedure at the sewage station. • Detection indicators: Nitrogen oxides, sulphur oxides, particulate matter, volatile organic compounds, methanol, hydrogen chloride, ammonia, etc. • Treatment methods: Laboratory exhaust gas is treated by alkali spraying and activated carbon adsorption, methanol exhaust gas is treated by water spraying and condensation recovery, and other kinds of odour is treated by water spraying and condensation • Reduction measures: In the laboratory, the amount of exhaust gas generated is reduced by reducing open-air operations and through centralised collection and treatment with enclosed operational facilities.
Non-hazardous waste	• Management policy: *Procedures for Solid Waste Management*. • Discharge categories: Domestic waste, non-hazardous industrial solid waste. • Treatment method: Removal by municipal sanitation departments; for non-hazardous industrial solid waste, recycling or centralised collection and disposal by municipal sanitation departments. • Reduction measures: Paperless office, installation of paper recycling points, waste separation and recycling bins, environmentally sound disposal.
Hazardous waste	• Management policy: *Procedures for Solid Waste Management*. • Discharge categories: Laboratory waste liquids, laboratory solid waste, unacceptable products, waste filter cartridges, recycled methanol, sewage sludge, waste activated carbon, waste packaging materials, waste air filters, pharmaceutical dust residues, etc. • Treatment method: Compliant disposal by qualified disposal institutions.

5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

5.4 CLIMATE CHANGE RESPONSE

To contribute to China's goals of "carbon peaking and carbon neutrality" and global sustainable development, the Group has managed climate change risks and opportunities in four areas, namely, governance, strategies, risk management and indicators and goals, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

Climate change management system

Governance
- The Board of Directors has overall responsibility for climate change management
- All relevant departments of the Group integrate climate change risk management into their daily workflow

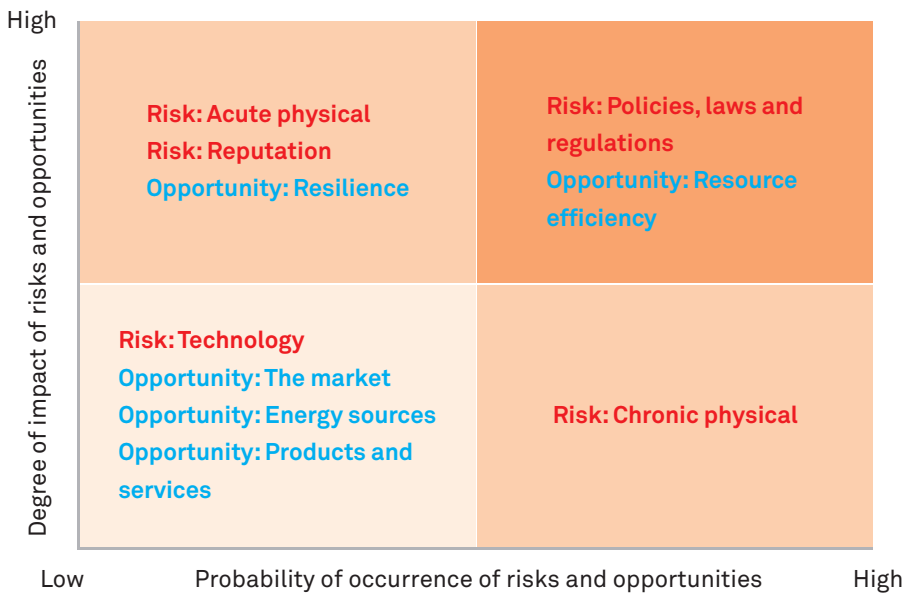
Strategies
- Identifying and assessing climate-related risks and opportunities and determining their priority

Risk management
- Analysing the potential financial impact of climate risks and opportunities on the Group and developing future plans that integrate climate change risk management into overall operational risk management

Indicators and targets
- Disclosing data on energy consumption and GHG emissions and intensity annually in ESG reports, assessing performance management levels are assessed and developing energy conservation and carbon reduction programmes

Based on its development and expert input, the Group has identified the climate risks and opportunities relevant to its operations and ranked them by probability of occurrence and degree of impact, thus developing a climate risk and opportunity matrix.

Climate Risk and Opportunity Matrix



We analyse the identified climate risks and opportunities with high probability of occurrence or degree of impact, evaluate their impact on the Group's operations and finances and take corresponding measures against climate change.

Climate Risk or Opportunity	Specific Description	Potential Financial Impact
Risk: Policies, laws and regulations	The current state of the Group's environmental management may not be able to meet more stringent domestic and international climate policies, laws and regulations in the future, which could expose the Group to operation difficulties.	Operating costs▲ Operating revenue▼
Risk: Reputation	With the release of the national goals of carbon peaking and carbon neutrality and the increased attention of domestic and international society on the low carbon transformation of enterprises, the Group's failure to take proactive and effective climate response actions and to promptly disclose information in response to the needs of external stakeholders may result in damage to the Group's reputation.	Operating revenue▼
Risk: Acute physical	An increase in the severity of extreme weather events such as hurricanes or floods could cause harm to the Group such as damage to assets, loss of personnel and disruption of business activities.	Operating revenue▼ Operating costs▲ Fixed asset value▼
Risk: Chronic physical	Long-term changes in weather patterns such as persistent high temperatures may affect the Company's normal operations.	Operating costs▲ Fixed asset value▼
Opportunity: Resource efficiency	Measures such as process improvements are taken to improve efficiency in the use of resources in production and operations, so as to save the Group's medium- and long-term operating costs.	Operating costs▼
Opportunity: Resilience	The Group can develop resilience to cope with climate change, better manage climate change related risks and seize opportunities by taking measures such as selecting environmentally friendly suppliers.	Operating costs▼ Climate resilience▲

6. RESPONSIBLE OPERATION

At InnoCare, we follow strict business ethics standards and uphold a culture of open and transparent compliance that is applied across the Group's operations and supplier management. We share a common belief in responsibility, which we communicate to every employee through organisational rules and communication. Also, we influence our suppliers through the management of their quality and environmental and social risks to ensure a compliant and robust supply chain, while facilitating the formation of a responsible industry chain.

6.1 COMPLIANCE AND BUSINESS ETHICS

Compliance management

It is crucial that integrity and business ethics should be pursued for the Company's sound development. The Group strictly follows the relevant laws and regulations such as the *Law of the People's Republic of China Against Unfair Competition* and the *Anti-Money Laundering Law of the People's Republic of China*, and has established a series of internal management policies. Moreover, we have incorporated the latest concepts and specifications of the *Compliance Management Standard for the Pharmaceutical Industry* by the China Chemical Pharmaceutical Industry Association and the international standard ISO 37301 *Compliance Management Systems - Requirements with Guidelines for Use* into our daily work practices to establish and improve the Group's end-to-end compliance management mechanism covering prevention, detection, corrective testing and auditing to create a comprehensive compliance management system.

We continue to improve the compliance management policy to ensure the compliant operation of the Group. In 2022, we issued anti-corruption and anti-bribery policies to specify the Company requirements for ethical practices and require employees to operate transparently and in accordance with the highest principles of professionalism, fairness, impartiality and integrity in all businesses. Moreover, we set requirements for the compliance systems and ethical business practices of our distributors in the *Criteria and Procedures for Distributor Selection*, and formulated the *Guidelines on Interaction with External Stakeholders* to regulate employee interactions with stakeholders, third-party sponsorship, donations and grants and clarify the type restrictions, scope of application and approval procedures. We also regularly review and update the anti-corruption and anti-bribery policies to ensure that they are appropriate, and meet the requirements of the Company and regulatory authorities. For details of the management systems related to anti-corruption, please refer to the anti-corruption and anti-bribery policies in the corporate governance section of the Group's website (www.innocarepharam.com).

We have integrated compliance management with risk management by including compliance-related elements in our risk management framework. The Group's *Internal Audit Management Policy* and *Annual Audit Plan* both involve steps to verify the effectiveness of compliance management, thereby assisting in the establishment of anti-fraud, anti-money laundering and anti-fraud mechanisms. In conducting the annual corporate risk assessment, we incorporate a comprehensive assessment of fraud, corruption, money laundering and bribery risks and take control measures to minimise the occurrence probability of these risks.

In addition, all employees are required to understand and sign the *Anti-Commercial Bribery Agreement for Employee*, which prohibits any form of commercial bribery and imposes liability for violation of this provision. Suppliers are required to sign the *Anti-Commercial Bribery Agreement for Supplier*, which prohibits any form of commercial bribery and abusive practices. We strictly regulate the provision of rebates, discounts, gifts and presents, which is monitored and inspected by the Group's audit department and senior management. In addition, we have included a complaint reporting mechanism for both parties in the supplier agreement to establish a two-way monitoring mechanism.

Development of compliance culture

The Group attaches importance to developing a culture of compliance and business ethics. The Legal Compliance Department is responsible for tracking the latest developments in relevant laws and regulations and disseminating the compliance culture to all employees of the Group through daily communication, regular newsletters and all-employee or targeted training. In addition, we provide compliance training for new employees at the time of their induction to brief them on the anti-corruption and anti-bribery policies and to help them understand and share our values and ethical commitments. Moreover, the Legal Department conducts regular targeted compliance training to regulate employee behaviours.

In 2022, the Group provided 17 regulatory training sessions for employees, which covered topics such as the Group's relevant policies, national policies and regulations, and updates on relevant national law enforcement, with a total of 832 participants, including new employees, commercialisation teams, clinical operation teams, engineering and procurement teams, etc. We continue to deepen employees' understanding of relevant internal and external regulations through training activities and heighten employees' awareness of anti-corruption and anti-bribery.

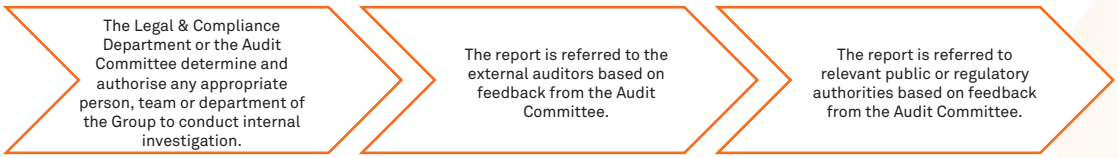
In 2022, there were no corruption proceedings that were filed against the Group or its employees and concluded, nor were there any litigation cases arising therefrom.

Complaint and reporting management

In a bid to ensure that employees strictly comply with business ethics, the Group encourages employees to report the current or perceived misbehaviours against the policies. The Group has established a procedure for managing reporting incidents and a reporter protection policy in accordance with the internal management policy, i.e., the *Management Measures for Anti-Fraud, Anti-Corruption, Anti-Money Laundering, Anti-Bribery, Reporting and Complaints*. In 2022, we formulated the Reporting Policy, which applies to all employees, management personnel and directors of the Group and external third parties that have business dealings with the Group (including but not limited to customers and suppliers), further regulates reporting matters, reporting channels and the investigation process and clarifies the reporter protection policy, the confidential reporting policy and the handling of false reports, so as to address issues such as fraud, unethical behaviour and non-compliance with laws or the Company's policies. For details of the *Reporting Policy*, please refer to the corporate governance section on the website of the Group (www.innocarepharam.com).

The Company has established investigation procedures, anonymous reporting and reporting channels with due regard to reporter protection, confidentiality, malicious allegations and false reports, so as to ensure that employees can give feedback in a safe environment. Employees and parties who have direct or indirect financial relationships with the Group can send an email to legal_compliance@innocarepharma.com (read by the Legal & Compliance Department only) or send a mail to "InnoCare Pharma Limited - Audit Committee" at No. 8, Shengmingyuan Road, Zhongguancun Science Park, Changping District, Beijing 102206, China, anonymously or with their names to report or expose actual or suspected irregularities to the Audit Department. Depending on the circumstances, the Group's Audit Committee or Legal & Compliance Department will decide on the course of action to be taken in respect of the report and authorise the person concerned to proceed accordingly.

Reporting Handling Procedure



6. RESPONSIBLE OPERATION

6.2 SUPPLY CHAIN MANAGEMENT

Supplier quality management

The Group's suppliers mainly include production suppliers and non-production suppliers of products and services. In order to efficiently manage matters related to suppliers and supply chains, we have developed management policies such as the *Procurement Management Policy, Supplier Management, Materials Supplier Management, Consumables Supplier Management, Contractor Management, Monitoring and Maintenance of Suppliers* and other management policies and corresponding management procedures.

Supplier Quality Management Procedure

We communicate with key suppliers on service, technology and quality, and continually assess suppliers in terms of quality, services and costs to help improve supplier quality. When a current supplier is found to be of substandard quality, we will conduct a risk assessment on the items found to be of substandard quality, classify and analyse them according to the results, and take measures such as remediation within a prescribed time limit or discontinuation of the supply qualification of the substandard supplier according to the risk level obtained from the assessment. Meanwhile, we implement incentives for top-performing suppliers by increasing the percentage of procurement based on actual circumstances.

Sustainable development of suppliers

The Group is equally concerned about the environmental and social performance of its suppliers and promotes sustainability in its supply chain through regular communication, review and monitoring and signing agreements. Through regular communication with our suppliers, we help them gain insight into the Group's requirements for compliance, labour standards and environmental management, and encourage them to prioritise the use of environmentally friendly products and services.

In addition, the Group regularly reviews and monitors the environmental and social regulatory risks of its suppliers to ensure that they comply with relevant laws and regulations, such as respecting the basic human rights of employees. In the construction of the new plant, we also set the EHS target of "zero injury and zero accident" for construction suppliers. Also, suppliers are required to sign an EHS agreement to effectively protect the health and safety of their employees. The Group may terminate its cooperation with a supplier if the supplier's performance does not meet the expectation and shows no improvement.

7. SOCIAL WELFARE RESPONSIBILITY

InnoCare is patient-centred and committed to empowering society. We actively carry out and participate in various academic activities to contribute to the innovative development of the biomedical industry while growing rapidly. We continue to deepen our strategic layout and carry out various welfare projects to provide patients with more convenient services at more affordable prices.

7.1 ACADEMIC DEVELOPMENT IN THE INDUSTRY

The Group actively participates in academic research and cooperation within the industry, and has presented our research data and results at major domestic and international academic conferences to promote academic development in the industry. We strengthen our research collaboration with hospitals. For example, we have deepened the strategic cooperation with Henan Cancer Hospital. Both parties give full play to their respective advantages and resources to carry out in-depth cooperation in clinical trials, academic exchanges, scientific research management and other fields, deepening the "hospital-enterprise cooperation" model. We strive to promote the "industry-university-research-application" integration to enhance the capacity of tumour prevention and treatment for the benefit of cancer patients.

Domestic and International Academic Conferences in which the Group Participated in 2022

Title of External Conference	Published Results
2022 American Association for Cancer Research (AACR) Annual Meeting	Pre-clinical data on ICP-723, a self-developed pan-TRK small molecule inhibitor, was published.
2022 Annual European Congress of Rheumatology (EULAR)	Oral presentation was given on the irreversible Bruton's tyrosine kinase (BTK) inhibitor orelabrutinib for the treatment of systemic lupus erythematosus.
2022 American Society of Clinical Oncology (ASCO) Annual Meeting	The latest data on a range of pipelines under development were published, including: • Clinical phase I data on the highly selective irreversible FGFR 1-4 inhibitor gunagratinib (ICP-192) in the treatment of patients with head and neck cancer with FGF/FGFR genetic alterations; • Safety, pharmacokinetic (PK) properties and clinical efficacy of ICP-723, a highly selective novel pan-TRK inhibitor, in patients with solid tumours; • Efficacy and safety of orelabrutinib in the treatment of diffuse large B-cell lymphoma (DLBCL): A real-world data analysis.
2022 European Hematology Association (EHA) Annual Congress	Preliminary results of a phase II study of orelabrutinib in combination with an anti-PD-1 monoclonal antibody for the treatment of relapsed or refractory primary central nervous system lymphoma (PCNSL) were shared in an oral presentation.

Title of External Conference	Published Results
2022 European Society of Medical Oncology (ESMO) Annual Congress	Data from the study of orelabrutinib in combination with RCHOP for the treatment of DLBCL with primary extranodal previously untreated non-GCB was selected for the 2022 ESMO Short Oral Presentations.
64th Annual Meeting of the American Society of Hematology (ASH)	Ten studies on BTK inhibitor orelabrutinib were selected for the ASH Annual Meeting, including: • Orelabrutinib, rituximab and high-dose methotrexate (HD-MTX) for previously untreated PCNSL: A retrospective analysis of efficacy, safety and biomarkers; • A phase III, randomised, double-blind, placebo-controlled, multicentre study to assess the efficacy and safety of orelabrutinib in combination with R-CHOP versus the placebo in combination with R-CHOP in the treatment of primary MCD subtype DLBCL; • A phase I/II study of orelabrutinib in combination with an anti-PD-1 antibody and fotemustine for the treatment of PCNSL; • The preliminary efficacy of orelabrutinib in combination with RCHOP for previously untreated double-expressing DLBCL.

7.2 DRUG ACCESSIBILITY

The Group actively cooperates with major companies and institutions to bring better disease solutions to patients and provide more convenient access to medicines for patients. In November 2022, orelabrutinib was approved by the Health Sciences Authority (HSA) of Singapore for the treatment of adult patients with relapsed/refractory mantle cell lymphomas (R/R MCL). In July 2022, the first prescription of tafasitamab (Minjuvi®) in combination with lenalidomide was issued in Bo'ao Lecheng and the first injection in China was completed for an eligible DLBCL patient at Ruijin Hainan Hospital. To date, tafasitamab has been included in the overseas special drug lists of 18 provinces and cities, including Shanghai, Hebei Province, Hainan Province and Suzhou City, Jiangsu Province, which has enhanced the accessibility of the innovative drug tafasitamab for patients with DLBCL from these regions in Bo'ao Lecheng, Hainan.

Orelabrutinib, the Group's product, has been included in the National Health Insurance Drug List (Version 2021), which has reduced the price of the drug and improved the affordability of the drug. Currently, orelabrutinib has been included in the scope of "dual-channel" drug management in 28 provinces, municipalities directly under the Central Government and autonomous regions, and a unified medical insurance payment policy has been implemented for orelabrutinib in designated medical institutions and designated retail pharmacies, benefiting more lymphoma patients. Moreover, tafasitamab, the Group's another product, has been included in the overseas special drug list of local commercial insurance, which has further enhanced the accessibility of the drug to patients.

In addition, the Group's products have been included in disease treatment guidelines, enriching clinical drug choices and bringing hope to more patients. In 2022, Tafasitamab in combination with lenalidomide was officially included in the *2022 Chinese Society of Clinical Oncology (CSCO) Guidelines for the Treatment of Lymphoma* as a Class II recommended regimen for the treatment of adult patients with relapsed or refractory DLBCL who are not eligible for autologous stem cell transplantation (ASCT). To further promote the standardisation of lymphoma diagnosis and treatment in China, CSCO experts have studied cutting-edge advances at home and abroad and regularly revised the guidelines on the basis of evidence-based medical evidence and clinicians' treatment practices, taking into account the actual situation of Chinese patients while aligning with international standards, which provides important guidance for the standardised treatment of Chinese lymphoma patients.

7.3 WELFARE SUPPORT

As a biopharmaceutical company, InnoCare is highly concerned with the public health. In 2022, the Group contributed to the protection of public health by charitable donation and effectively supporting the infection prevention actions for employees. InnoCare participated in the Donation Ceremony for the Capital's United Front in Support of Hong Kong on 1 March 2022 and donated RMB500,000 to support Hong Kong and help local hospitals purchase relevant materials according to their needs to ensure that medical institutions can treat patients more effectively. Meanwhile, we distributed health supplies such as masks to all employees, with a total of around 237,000 throughout the year, and urged everyone to take health protection measures and pay attention to their health.

In 2022, the Group and some of its management members were awarded the following social contribution awards:

The impact of professional women who demonstrate their feminine energy has received social attention and evaluation

- Dr. Cui Jisong, Chairman and CEO of InnoCare, has been named one of the Most Powerful Women in Business in China by Fortune once again

The core products and leading creative capabilities have been recognised and rewarded by society for their contribution

- Orelabrutinib was awarded the title of "Beijing New Technology and New Product (Service)" by five major departments of Beijing Municipal Government
- InnoCare was recognised as a "Small Giant" enterprise by Beijing Municipal Bureau of Economy and Information Technology
- InnoCare's orelabrutinib R&D team was named one of the "Top 10 Drug Innovation Research Teams of 2021"
- Orelabrutinib won the Gold Award for the 16th Beijing Invention and Innovation Competition
- InnoCare was recognised as one of the first "Beijing Enterprise Technology Centres" in 2022

8. KEY QUANTITATIVE PERFORMANCE

ECONOMIC PERFORMANCE

Performance Indicators	Unit	2022
Operating revenue	RMB0 '000	62,540.4
Basic benefits per share	RMB/share	(0.63)
Added-value per share	RMB	0.25

Note 1: Added-value per share=(tax generated for the state during the year + compensation paid for employees + interests on loans paid to creditors such as banks + value amount generated for other stakeholders such as external donations – other social costs caused by the environmental pollution)/total number of company shares.

ENVIRONMENTAL PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Energy Consumption				
Total steam consumption	ton	1,991.10	8,667.30	10,820.95
Total amount of purchased electricity	MWh	2,895.16	9,894.90	9,380.31
Power consumption per capita	MWh/person	6.41	13.72	9.56
Water consumption				
Total water consumption	m^3	56,311.00	145,093.00	124,940.00
Water consumption per capita	m^3/person	124.58	201.24	127.36
Management of packaging				
Total usage of packaging materials for finished products	ton	0.00	0.75	1.8
Packaging materials used per capita	ton/person	–	0.001	0.002
Management of waste water				
Industrial waste water emissions	m^3	/	82,843	99,527
Chemical Oxygen Demand (COD) emissions	ton	/	2,469	1,396
Biochemical Oxygen Demand (BOD) emissions	ton	/	417	381
Ammonia Nitrogen (NH_3-N) emissions	ton	/	82	29
Management of waste gas				
Total amount of exhaust gas emissions	m^3	/	/	37,180,000
Volatile Organic Compounds (VOC) emissions	kg	/	/	23.62
Methyl alcohol emissions	kg	/	/	270.86
Hydrogen chloride emissions	kg	/	/	49.06
Ammonia emissions	kg	/	/	14.3
Management of wastes				
Total amount of non-hazardous wastes	ton	1,926.00	2,874.54	1,074.10
Total amount of hazardous wastes	ton	30.10	106.79	115.05
Amount of non-hazardous wastes generated per capita	ton/person	4.26	3.99	1.09
Amount of hazardous wastes generated per capita	ton/person	0.07	0.15	0.12

8. KEY QUANTITATIVE PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Mitigation and adaptation of climate change				
Total amount of greenhouse gas emissions[1]	tons of CO_2 equivalent	2,476.59	9,236.40	9,835.80
Scope 1 Greenhouse gas emissions[2]	tons of CO_2 equivalent	0	0	0
Scope 2 Greenhouse gas emissions[3]	tons of CO_2 equivalent	2,476.59	9,236.40	9,835.80
Greenhouse gas emissions per capita	tons of CO_2 equivalent	5.48	12.81	10.03
Environmental Compliance				
Number of incidents in which penalties were imposed for exceeding permitted pollutant standards or violating emissions regulations	Case	0	0	0

Note 1: Total GHG emissions include Scope 1 and Scope 2 emissions; greenhouse gas emissions are calculated with reference to Appendix 2 Reporting Guidance on Environmental KPIs of the latest version of the HKEX Environmental, Social and Governance Reporting Guide (May 2021).

Note 2: Due to the small proportion of gasoline consumption, the emission of greenhouse gas in Scope 1 is calculated as 0.

Note 3: According to the Notice on the Management of Greenhouse Gas Emission Reports of Power Generation Enterprises for 2023-2025 of the Ministry of Ecology and Environment of the People's Republic of China, the grid emission factor has been adjusted from 0.6101 ton carbon dioxide equivalent/MWh selected for the 2021 report to 0.5703 ton carbon dioxide equivalent/MWh; the steam emission factor is 0.11 t CO2 ea/GJ, the low-pressure steam equivalent to kg of standard coal is 0.1286 kg of standard coal/kg, according to the Ministry of Ecology and Environment of the PRC (2019) and the General Rules for Calculating Integrated Energy Consumption (2008, 2020) recommended by HKEX. The 2020 and 2021 GHG emissions were also recalculated due to the change in emission factors.

EMPLOYMENT AND LABOR ROUTINE PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Employee Employment				
Total number of employees [1]	Person	452	721	981
Number of male employees	Person	234	350	457
Number of female employees	Person	218	371	524
Number of full-time labor contract employees	Person	448	698	939
Number of full-time dispatched employees	Person	4	13	21
Number of part-time employees	Person	0	10	21
Number of employees aged below 30	Person	176	230	332
Number of employees aged 30-50	Person	260	472	628
Number of employees aged above 50	Person	16	19	21
Number of employees in Mainland China	Person	444	707	967
Number of employees in Hong Kong, Macau, Taiwan and overseas	Person	8	14	14
Number of general employees	Person	--	581	806
Number of middle management	Person	--	134	169
Number of senior management	Person	--	6	6

8. KEY QUANTITATIVE PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Employee Turnover				
Employee Turnover [1]	%	–	15.26	13.76
Turnover of male employees	%	11.00	14.57	15.32
Turnover of female employees	%	7.00	15.90	12.40
Turnover of employees aged below 30	%	15.00	16.52	18.98
Turnover of employees aged 30-50	%	13.00	14.41	11.31
Turnover of employees aged above 50 [2]	%	0.00	21.05	4.76
Turnover of employees in Mainland China	%	9.00	15.28	13.75
Turnover of employees in Hong Kong, Macau, Taiwan and overseas	%	0.00	14.29	14.29
Employee Health and Safety				
Number of employees who died as a result of their work	Person	0	0	0
Percentage of employees who died as a result of their work	%	0	0	0
Number of working days lost due to work-related injuries	Day	0	0	0
Employee Training				
Coverage of employees receiving training [3]	%	100.00	100.00	100.00
Coverage of male employees receiving training	%	100.00	100.00	100.00
Coverage of female employees receiving training	%	100.00	100.00	100.00
Coverage of general employees receiving training	%	100.00	100.00	100.00
Coverage of middle management receiving training	%	100.00	100.00	100.00
Coverage of senior management receiving training	%	100.00	100.00	100.00
Training hours per employee [4]	Hour	10.00	25.00	28.20
Training hours per male employee	Hour	10.00	30.00	28.43
Training hours per female employee	Hour	8.00	21.00	28.01
Training hours per general employee	Hour	8.00	19.00	22.30
Training hours per middle management	Hour	12.00	53.00	56.26
Training hours per senior management	Hour	18.00	30.00	30.83
Employment Compliance				
Total number of penalties imposed on the Company for violation of employment-related laws and regulations	Times	0	0	0
Times of penalties for violation of laws and regulations related to employment and dismissal	Times	0	0	0
Times of penalties for violation of laws and regulations related to employees' working hours and holidays	Times	0	0	0
Times of penalties for violation of laws and regulations related to employees promotion and equal opportunity	Times	0	0	0
Times of penalties for violation of laws and regulations related to anti-discrimination and diversity	Times	0	0	0

8. KEY QUANTITATIVE PERFORMANCE

Note 1: Turnover of employees=Number of employees lost in this category during the Reporting Period/Number of the employees in this category at the end of the Reporting Period*100%.

Note 2: As employees aged above 50 in the Company reached the retirement age and chose to retire (quit the job) in 2021, there was a significant change in the turnover of employees aged above 50 for the year 2021/2022.

Note 3: Coverage of employees training=Number of employees trained in this category during the Reporting Period/Number of employees in this category at the end of the Reporting Period *100%.

Note 4: Training hours per employee=Total training hours of the employees trained in this category during the Reporting Period/Number of employees in this category at the end of the Reporting Period.

SUPPLY CHAIN PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Total number of suppliers				
Total number of suppliers	Supplier	500	587	722
Suppliers from Mainland China	Supplier	488	575	687
Suppliers from Hong Kong, Macau, Taiwan and overseas[1]	Supplier	12	12	35
Supplier Evaluation and Monitoring				
Number of suppliers evaluated for environmental and social impacts	Supplier	0	0	0
Number of suppliers identified as having actual and potential significant negative environmental and social impacts	Supplier	0	0	0
Number of suppliers evaluated for social impacts assessments	Supplier	0	0	0
Number of suppliers identified as having actual and potential significant negative social impacts	Supplier	0	0	0

Note 1: The total number of suppliers in Hong Kong, Macau, Taiwan and overseas increased as a result of the gradual promotion of the internationalization of the Company's key national clinics.

PRODUCT AND CUSTOMER SERVICE PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Product Liability Compliance				
Total number of penalties imposed on the Company for violation of laws and regulations related to product liability	Case	0	0	0
Total number of cases for violation of laws and regulations related to marketing (including advertisements, sales and sponsoring)	Case	0	0	0
Total number of cases for violation of laws and regulations related to health and safety of products and services	Case	0	0	0
Total number of cases for violation of regulations and voluntary guidelines related to information and labelling of products and services	Case	0	0	0
Total number of cases for violation of regulations related to customer privacy	Case	0	0	0
Product Complaints and Recalls				
Total number of complaints received by the Company about products and services	Case	0	0	8
Percentage of products sold that had to be recalled due to safety and health issues	%	0.00	0.00	0.00

SOCIAL WELFARE PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Community Welfare				
Amount committed to community welfare	RMB0'000	100.00	100.00	76.80
Amount committed to community welfare (Labor demands)	RMB0'000	–	–	18.40
Amount committed to community welfare (Medical health)	RMB0'000	–	–	50.00
Amount committed to community welfare (Culture and sports)	RMB0'000	–	–	8.40

8. KEY QUANTITATIVE PERFORMANCE

ANTI-CORRUPTION PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
Corruption Report and Litigation Cases				
Number of corruption lawsuits that have been filed by regulators against the Company and its employees and have been concluded	pcs	0	0	0
Anti-Corruption Training				
Number of employees receiving anti-corruption related training [1]	Person-time	172	648	920
Training hours per employee for anti-corruption related training [1]	Hour	0.19	0.45	0.61
Percentage of Board of Directors' members covered by anti-corruption training[1]	%	0	22.22	33.33
Training hours per Board of Directors' member for anti-corruption related training [1]	Hour	0	0.22	0.67

Note 1: In 2022, the number of the anti-corruption training of the Group increased, causing an increase of change in data related to anti-corruption training.

R&D INNOVATION PERFORMANCE

Performance Indicators	Unit	2020	2021	2022
R&D investments				
R&D expenses	RMB0'000	402,711	721,584	64,489
Percentage of R&D expenses in operating revenue	%	295	69	99
Number of R&D employees	Person	193	286	418
Percentage of R&D employees with bachelor degree	%	48.2	46.9	46.4
Percentage of R&D employees with master degree	%	37.8	36.4	38.5
Percentage of R&D employees with doctoral degree or above	%	12.4	14.3	12.2
Intellectual Property Protection				
Number of patents filed during the Reporting Period	Patent	–	–	48
Number of patents granted during the Reporting Period	Patent	17	–	18
Number of trademarks applied for during the Reporting Period	Trademark	–	–	42
Number of trademarks approved during the Reporting Period	Trademark	--	--	63
Total number of patents filed	Patent	--	225	275
Total number of patents granted	Patent	--	37	54

HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX

Aspects, General Disclosures and KPIs	Report sections
A. Environmental	
A1. Emissions	5.3 Reduction of Pollutant Emissions
A1.1	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions, Key Quantitative Performance
A1.2	Key Quantitative Performance
A1.3	Key Quantitative Performance
A1.4	Key Quantitative Performance
A1.5	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions
A1.6	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions
A2. Use of Resources	5.2 Resource Conservation
A2.1	Key Quantitative Performance
A2.2	Key Quantitative Performance
A2.3	5.1 Environmental Management System, 5.2 Resource Conservation
A2.4	5.1 Environmental Management System, 5.2 Resource Conservation
A2.5	Key Quantitative Performance
A3. The Environment and Natural Resources	5.1 Environmental Management System
A3.1	5.1 Environmental Management System, 5.2 Resource Conservation, 5.3 Reduction of Pollutant Emissions
A4. Climate Change	5.4 Climate Change Response
A4.1	5.4 Climate Change Response
B. Social	
Employment and Labour Practices	
B1. Employment	4.1 Employee Rights and Benefits
B1.1	Key Quantitative Performance
B1.2	Key Quantitative Performance
B2. Health and Safety	4.3 Employee Health and Safety
B2.1	Key Quantitative Performance
B2.2	Key Quantitative Performance
B2.3	4.3 Employee Health and Safety

9. BENCHMARKING GUIDE INDEX

Aspects, General Disclosures and KPIs	Report sections
B3. Development and Training	4.2 Employee Training and Retention
B3.1	Key Quantitative Performance
B3.2	Key Quantitative Performance
B4. Labour Standards	4.1 Employee Rights and Benefits
B4.1	4.1 Employee Rights and Benefits
B4.2	No violations were found
Operating Practices	
B5. Supply Chain Management	6.2 Supply Chain Management
B5.1	Key Quantitative Performance
B5.2	6.2 Supply Chain Management
B5.3	6.2 Supply Chain Management
B5.4	6.2 Supply Chain Management
B6. Product Responsibility	3.2 Entire Process Quality Management
B6.1	Key Quantitative Performance
B6.2	3.3 Protection of Customers' Rights and Interests
B6.3	3.1 R&D and Innovation
B6.4	3.2 Entire Process Quality Management
B6.5	3.3 Protection of Customers' Rights and Interests
B7. Anti-corruption	6.1 Compliance and Business Ethics
B7.1	6.1 Compliance and Business Ethics, Key Quantitative Performance
B7.2	6.1 Compliance and Business Ethics
B7.3	6.1 Compliance and Business Ethics, Key Quantitative Performance
Community	
B8. Community Investment	7.2 Drug Accessibility, 7.3 Welfare Support
B8.1	7.2 Drug Accessibility, 7.3 Welfare Support, Key Quantitative Performance
B8.2	Key Quantitative Performance

GUIDE INDEX FOR *THE SHANGHAI STOCK EXCHANGE GUIDELINES NO. 1 FOR APPLICATION OF SELF-REGULATION RULES FOR LISTED COMPANIES - STANDARDIZED OPERATION (2022)* ISSUED BY SHANGHAI STOCK EXCHANGE

Provisions and disclosed contents		Report sections
8.1 Overview		1.2 ESG Management, 2.1 Corporate Governance, 2.2 Protection of Investors' Rights and Interests, 3.2 Entire Process Quality Management, 3.3 Protection of Customers' Rights and Interests, 4.1 Employee Rights and Benefits, 5.1 Environmental Management System, 6.2 Supply Chain Management, 7.3 Welfare Support
8.2 Operating principles		1.2 ESG Management, 3.1 R&D and Innovation, 6.1 Compliance and Business Ethics
8.3 Planning and working mechanism for social responsibility		1.2 ESG Management
8.4 Social contributions value per share		Key Quantitative Performance
8.5 Disclosure of social responsibility report		Notes on Report Preparation, 1.2 ESG Management, 3.2 Entire Process Quality Management, 4.1 Employee Rights and Benefits, 5.1 Environmental Management System, 7.2 Drug Accessibility, 7.3 Welfare Support
8.6 : (I)	Construction of social responsibility systems	
8.6 : (II)	Short-comings and problems of performing social responsibility	
8.6 : (III)	Improvement measures and specific time arrangements	
8.7		2.1 Corporate Governance, 4.1 Employee Rights and Benefits
8.8 : (I)	Compliance with laws and regulations on environmental protection and industrial standards	5.1 Environmental Management System
8.8 : (II)	Environmental protection program	5.1 Environmental Management System
8.8 : (III)	Use of natural resources	5.2 Resource Conservation
8.8 : (IV)	Disposal of pollutants	5.3 Reduction of Pollutant Emissions
8.8 : (V)	Facilities for pollution prevention	5.3 Reduction of Pollutant Emissions
8.8 : (VI)	Relevant tax payment for environmental protection	5.1 Environmental Management System
8.8 : (VII)	Environmental safety of supply chain	6.2 Supply Chain Management
8.8 : (VIII)	Other environmental protection responsibilities	5.1 Environmental Management System

9. BENCHMARKING GUIDE INDEX

Provisions and disclosed contents		Report sections
8.9 : (I)	Environmental protection strategies, goals and achievements	5.1 Environmental Management System
8.9 : (II)	Total resources consumption of the year	Key Quantitative Performance
8.9 : (III)	Environmental protection investments and environmental technology development	5.1 Environmental Management System
8.9 : (IV)	Types, number, concentration and destination of discharged pollutants	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions
8.9 : (V)	Construction and operation of environmental facilities	5.1 Environmental Management System
8.9 : (VI)	Treatment and disposal of the wastes, recycling and comprehensive use of the waste products	5.3 Reduction of Pollutant Emissions
8.9 : (VII)	Voluntary agreement signed with Environmental Protection Department	Not applicable
8.9 : (VIII)	Awards from Environmental Protection Department	Not applicable
8.9 : (IX)	Other voluntary disclosure information	5.1 Environmental Management System, 5.2 Resource Conservation, 5.3 Reduction of Pollutant Emissions, 5.4 Climate Change Response
8.10 : (I)	Newly built, renovated or expanded construction projects or significant investments	Not applicable
8.10 : (II)	Violation of environmental laws and regulations and penalties	Not applicable
8.10 : (III)	Material litigation on the environmental problems or assets being sealed up, frozen, detained, pledged or mortgaged	Not applicable
8.10 : (IV)	Key Unit for Pollution Discharge	Not applicable
8.10 : (V)	Impacts of newly promulgated laws and regulations on the Company	Not applicable
8.10 : (VI)	Significant events on environmental protection	Not applicable

9. BENCHMARKING GUIDE INDEX

Provisions and disclosed contents		Report sections
8.11		5.1 Environmental Management System
8.12 : (I)	Pollutants emissions	5.3 Reduction of Pollutant Emissions, Key Quantitative Performance (please refer to the 2022 annual report for details on the emission method, emission concentration and total amount of specific pollutants, exceeding permitted pollutant standards and exceeding the total amount of specific pollutants.)
8.12 : (II)	Construction and operation of environmental facilities	5.1 Environmental Management System, 5.2 Resource Conservation, 5.3 Reduction of Pollutant Emissions
8.12 : (III)	Emergency plans for pollution incidents	5.1 Environmental Management System
8.12 : (IV)	Measures for reducing pollutants	5.3 Reduction of Pollutant Emissions
8.13 : (I)	Laws and regulations on the product safety and industrial standards	3.2 Entire Process Quality Management
8.13 : (II)	Production environment and production process	3.2 Entire Process Quality Management
8.13 : (III)	Protection mechanism for product quality and safety and emergency plans for accidents	3.2 Entire Process Quality Management
8.13 : (IV)	Other production and product safety responsibility	6.2 Supply Chain Management
8.14 : (I)	Employees management systems and handling measures for violations	4.1 Employee Rights and Benefits
8.14 : (II)	Measures for preventing from the occupational hazards and complementary safety measures	4.3 Employee Health and Safety
8.14 : (III)	Employees training	4.2 Employee Training and Retention
8.14 : (IV)	Other protection responsibilities of employees' rights and interests	4.1 Employee Rights and Benefits, 4.2 Employee Training and Retention, 4.3 Employee Health and Safety
8.15 Scientific ethics		3.1 R&D and Innovation

9. BENCHMARKING GUIDE INDEX

GUIDELINES NO. 2 FOR APPLICATION OF SELF-REGULATION RULES FOR COMPANIES LISTED ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD OF THE SHANGHAI STOCK EXCHANGE - VOLUNTARY INFORMATION DISCLOSURE

Provisions and disclosed contents		Report sections
(6)-1	Basis situation of R&D	3.1 Research and Development ("R&D") and Innovation
(6)-2	R&D Feasibility	3.1 Research and Development ("R&D") and Innovation
(6)-3	Necessary Risk Warning	3.1 Research and Development ("R&D") and Innovation
(6)-4	Impact of R&D on the Company	3.1 Research and Development ("R&D") and Innovation
(14)-1	Environmental Responsibility	5.1 Environmental Management System, 5.2 Resource conservation, 5.3 Reduction of pollutant emissions, Key Quantitative Performance
(14)-2	Employee Protection and Development	4.1 Employee Rights and Benefits, 4.2 Employee Training and Retention, 4.3 Employee Health and Safety, Key Quantitative Performance
(14)-3	Product Safety, Compliance Operation, Public Welfare Activities	3.2 Entire Process Quality Management, 3.3 Protection of Customers' Rights and Interests, 6.1 Compliance and Business Ethics, 7.2 Drug Accessibility, 7.3 Welfare Support
(14)-4	Corporate Governance and Investor Protection	2.1 Corporate Governance, 2.2 Protection of Investors' Rights and Interests, 2.3 Risk Management and Internal Control

SCIENCE DRIVES
INNOVATION
FOR THE BENEFIT OF PATIENTS

科學驅動創新
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INNOCARE
诺诚健华