信達生物製藥

INNOVENT BIOLOGICS, INC.

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1801)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Innovent Biologics, Inc. (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2017. The consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee of the Company and audited by the Company's auditors.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

Non-IFRS Measure:

- Adjusted loss and total comprehensive expenses for the year[1] was RMB1,481.7 million for the year ended 31 December 2018, representing an increase of RMB846.0 million from RMB635.7 million for the year ended 31 December 2017, primarily due to the increase in the research and development expenses and the selling, marketing and business development expenses.

IFRS Numbers:

- Total revenue and other income were RMB103.3 million for the year ended 31 December 2018, as compared to RMB82.9 million for the year ended 31 December 2017. For the year ended 31 December 2018, the revenue was generated from the research and development services provided to the customers and the other income consisted of government grants and bank interest.

[1] Adjusted loss and total comprehensive expenses for the year represents the loss and total comprehensive expenses for the year excluding the effect of certain non-cash items and one-time events, namely the loss on fair value changes of preferred shares (other financial liabilities measured at fair value through profit or loss) and share-based compensation expenses. For the calculation and reconciliation of this non-IFRS measure, please refer to "Management Discussion and Analysis – Financial Review – 12. Non-IFRS Measure."

- Research and development expenses increased by RMB609.8 million to RMB1,221.7 million for the year ended 31 December 2018, compared to RMB611.9 million for the year ended 31 December 2017, primarily due to additional clinical trials of late stage drug candidates and upfront payment under the collaboration and license agreement with Incyte Biosciences International Sàrl ("**Incyte**"), a subsidiary of Incyte Corporation (Nasdaq: INCY).

- Selling, marketing and business development expenses increased by RMB127.7 million to RMB136.0 million for the year ended 31 December 2018, from RMB8.3 million for the year ended 31 December 2017, primarily due to the significant expansion of our sales and marketing capacity and activities in preparation for the commercialisation of Tyvyt® (sintilimab) in 2019.

- Loss and total comprehensive expenses increased by RMB5,156.9 million to RMB5,873.0 million for the year ended 31 December 2018, compared to RMB716.1 million for the year ended 31 December 2017, primarily attributable to the losses of RMB4,338 million in fair value change of the Company's preferred shares, which was a non-cash, one-time adjustment upon the listing as required under the International Financial Reporting Standard (the "**IFRS**").

BUSINESS HIGHLIGHTS

Since 31 October 2018 (the "**Listing Date**") when the Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we have delivered on our investors' expectations by making significant progress with respect to our drug pipeline and business operations, including the following milestones and achievements:

- Tyvyt® (sintilimab), our PD-1 monoclonal antibody co-developed with Eli Lilly and Company ("**Eli Lilly**"), received marketing approval from the National Medical Products Administration ("**NMPA**") of the People's Republic of China ("**China**") for relapsed/refractory classical Hodgkin's lymphoma ("**r/r cHL**"). Our manufacturing facilities have been certified as Good Manufacturing Practice ("**GMP**") compliant and commercialisation activities have commenced, propelling us into the commercial phase of the business cycle and unleashing the full power of our integrated platform.

- Key clinical results of Tyvyt® (sintilimab) in r/r cHL were published in *The Lancet Haematology* and featured as a cover story. Major media outlets and news channels including Xinhua News Agency, People's Daily and China Central Television reported and lauded this publication.

- IBI-305 (bevacizumab biosimilar) has met pre-defined primary endpoints in two randomised, head-to-head clinical trials comparing IBI-305 to branded bevacizumab: a phase III clinical trial in patients with advanced non-squamous non-small cell lung cancer and a pharmacokinetic study in healthy subjects.

- New drug applications ("**NDAs**") for IBI-305 (bevacizumab biosimilar) and IBI-303 (adalimumab biosimilar) were submitted to and accepted by the NMPA.

- Collaboration and license agreement was reached with Incyte for three late-stage clinical drug candidates, including pemigatinib (FGFR1/2/3 inhibitor), itacitinib (JAK1 inhibitor) and parsaclisib (PI3Kδ inhibitor), increasing our pipeline to include 20 drug assets encompassing both biologics and small molecules.

- Global collaboration agreement was reached with Hutchison China MediTech Limited ("**Chi-Med**") (LSE: HCM; Nasdaq: HCM), through its innovation platform subsidiary Hutchison MediPharma Limited ("**Hutchison MediPharma**") to evaluate the safety and tolerability of our Tyvyt® (sintilimab) in combination with Hutchison MediPharma's fruquintinib in patients with advanced solid tumors.

- Number of clinical trials for registration has increased from six at the Listing Date to a total of nine at the date of this announcement.

- Number of our drug and drug candidates that received the grants for the "National Major New Drugs Innovation and Development Projects" (國家重大新藥創製專項) increased from two at the Listing Date to a total of four at the date of this announcement.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Our mission is to create a world-class China-based biopharmaceutical company that develops and commercialises high quality drugs that are affordable to ordinary people. We were founded in 2011 by Dr. De-Chao Michael Yu, a highly accomplished scientist, innovator and entrepreneur. We are committed to innovation in drug development and have instituted global quality standards for every aspect of the Company's business and operations.

To capitalise on the tremendous market opportunity both in China and beyond, we have developed a fully-integrated platform consisting of advanced research, discovery, development, manufacturing and commercialisation capabilities. These capabilities have enabled the Group to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other drug assets in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases. The full integration of our platform enables smooth collaboration between different functional groups at key points in the lifecycle of a drug candidate with the aim of increasing both the speed of development and the likelihood of success while at the same time reducing the cost of development.

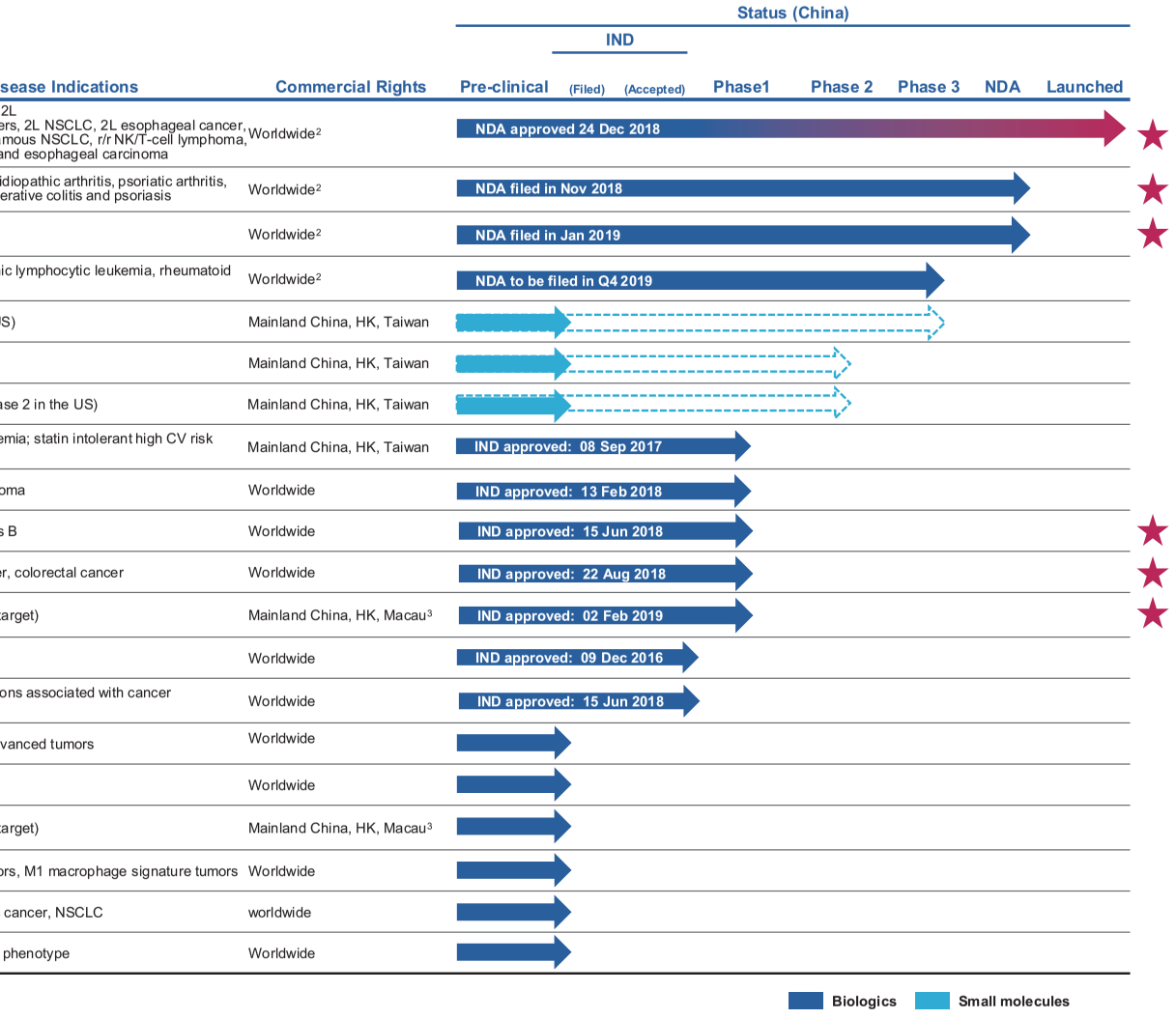
PIPELINE

Using our platform and through collaborations with global strategic partners, we have built a pipeline of 20 drug assets over the last 7.5 years, led by IBI-308 (trade name: Tyvyt®; generic name: sintilimab), our anti-PD-1 monoclonal antibody co-developed with Eli Lilly, which has received marketing approval in China from the NMPA for r/r cHL and has commenced sales; and three biosimilar candidates that are in late-stage clinical development in China, including IBI-305 (bevacizumab biosimilar), IBI-301 (rituximab biosimilar) and IBI-303 (adalimumab biosimilar).

Out of our pipeline of 20 drug assets, two, IBI-305 (bevacizumab biosimilar) and IBI-303 (adalimumab biosimilar), are under NDA review by the NMPA; one, IBI-301 (rituximab biosimilar), has completed phase III clinical trial enrollment; one, IBI-306 (novel anti-PCSK9), has completed phase I single dose escalation; three, IBI-310 (anti-CTLA4), IBI-101 (novel anti-OX40) and IBI-188 (novel anti-CD47), have initiated phase I enrollment in China; three, IBI-101 (novel anti-OX40), IBI-188 (novel anti-CD47) and IBI-318 (novel anti-PD-1/undisclosed target bispecific), have received investigational new drug (the "**IND**") approval in China; one, IBI-307 (anti-RANKL), is initiating phase I clinical trials; three, IBI-110 (novel anti-LAG3), IBI-315 (novel anti-her2/anti-PD-1 bispecific), and IBI-322 (novel anti-CD47/anti-PD-L1 bispecific), have completed GLP toxicology studies and are under preparation for IND submission in China; three, IBI-375 (pemigatinib FGFR inhibitor), IBI-376 (parsaclisib PI3Kδ inhibitor) and IBI-377 (itacitinib JAK1 inhibitor), were in-licensed from Incyte and are under preparation for IND submission in China.

The following chart summarises the China development status of our pipeline drug assets as of the date of this announcement:

	Candidate/ Reference Drug	Target(s)	Therapeutic Area: Disease Indications	Commercial Rights	Status (China)
Eli Lilly	sintilimab (IBI-308)	PD-1	Oncology: r/r Hodgkin's lymphoma, 1L and 2L melanoma, refractory gastrointestinal cancers, 2L NSCLC, 2L esophageal cancer, 1L and 2L squamous NSCLC, 1L non-squamous NSCLC, r/r NK/T-cell lymphoma, 2L ESCC, 1L gastric cancer, solid tumors, and esophageal carcinoma	Worldwide[2]	NDA approved 24 Dec 2018 ★
	IBI303 (adalimumab biosimilar)	TNF-alpha	Autoimmune: rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn'sdisease, ulcerative colitis and psoriasis	Worldwide[2]	NDA filed in Nov 2018 ★
	IBI305 (bevacizumab biosimilar)	VEGF-A	Oncology: r/r NSCLC and metastatic CRC	Worldwide[2]	NDA filed in Jan 2019 ★
	IBI301 (rituximab biosimilar)	CD20	Oncology: non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis	Worldwide[2]	NDA to be filed in Q4 2019
Incyte	IBI-377 (Itacitinib)	JAK1	Graft versus host disease (phase 3 in the US)	Mainland China, HK, Taiwan	
Incyte	IBI-376 (Parsaclisib)	PI3K delta	NHL (phase 2 in the US)	Mainland China, HK, Taiwan	
Incyte	IBI-375 (Pemiga) tinib	FGFR1/2/3	Cholanglocarcizoma, urothelial cancer (phase 2 in the US)	Mainland China, HK, Taiwan	
	IBI-306	PCSK9	Metabolic: homozygous familial hyperlipidemia; statin intolerant high CV risk patients	Mainland China, HK, Taiwan	IND approved: 08 Sep 2017
	IBI-310[1]	CTLA-4	Oncology: melanoma and renal cell carcinoma	Worldwide	IND approved: 13 Feb 2018
	IBI-101	OX40	Oncology: advanced solid tumors, hepatitis B	Worldwide	IND approved: 15 Jun 2018 ★
	IBI-188	CD47	Oncology: B-cell lymphoma, ovarian cancer, colorectal cancer	Worldwide	IND approved: 22 Aug 2018 ★
Eli Lilly	IBI-318	PD-1/ undisclosed target	Oncology: advanced tumors (undisclosed target)	Mainland China, HK, Macau[3]	IND approved: 02 Feb 2019 ★
	IBI-302	VEGF/Complement proteins	Ophthalmology: wet AMD	Worldwide	IND approved: 09 Dec 2016
	IBI-307	RANKL	Metabolic: osteoporosis and lytic bone lesions associated with cancer metastasis	Worldwide	IND approved: 15 Jun 2018
	IBI-110	LAG-3	Oncology: NSCLC, melanoma, mBrCA, advanced tumors	Worldwide	
	IBI-939	TIGIT	Oncology: advanced solid tumors	Worldwide	
Eli Lilly	IBI-319	PD-1/ undisclosed target	Oncology: advanced tumors (undisclosed target)	Mainland China, HK, Macau[3]	
	IBI-322	PD-L1/CD47	Oncology: PD-L1/CD47 coexpressing tumors, M1 macrophage signature tumors	Worldwide	
Hanmi	IBI-315	PD-1/HER2	Oncology: Her2 + cancers, mBrCA, gastric cancer, NSCLC	worldwide	
	IBI-323	LAG-3/PD-L1	Oncology: PD-L1+ tumors with "hot tumor" phenotype	Worldwide	



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Abbreviations: 1L = first-line; 2L = second-line; AMD = age-related macular degeneration; CV = cardiovascular; ESCC = esophageal squamous cell carcinomas; mBrCA = mutated breast cancer; NHL = non-Hodgkin's lymphoma; NK= natural killer; NSCLC = non-small cell lung cancer; r/r = relapsed, refractory.

(1) We are developing IBI-310 as an innovative drug candidate in accordance with NMPA regulations because ipilimumab has not been approved for marketing in China even though IBI-310 has the same amino acid sequence as ipilimumab.

(2) We and Eli Lilly will co-promote sintilimab (IBI-308) and rituximab (IBI-301) in China, Hong Kong and Macau.

(3) Eli Lilly may opt in to co-commercialise IBI-318 and IBI-319 with us in China, Hong Kong and Macau.

In addition to developing our pipeline drug assets in China, we have obtained IND approvals from the United States of America ("**U.S.**"). Aside from the three drug candidates, which were licensed from Incyte and are currently under clinical development outside of China by Incyte, we have initiated patient enrollment in the U.S. for a multi-center phase Ib/II clinical trial for Tyvyt® (sintilimab) and a phase Ia clinical trial for IBI-188 (novel anti-CD47). We have also obtained the IND approval from the U.S. FDA for IBI-101 (novel anti-OX40) and can proceed with clinical development in the U.S. accordingly.

BUSINESS REVIEW

1. Events during the Reporting Period

The Company was successfully listed on the Stock Exchange on the Listing Date. Since then, the Group has delivered on its investors' expectations by making significant progress with respect to its drug pipeline and business operations.

On 13 November 2018, the NDA for IBI-303 (adalimumab biosimilar) was accepted by the NMPA. IBI-303 is a recombinant human anti-TNF-α monoclonal antibody solely developed by us for the treatment of ankylosing spondylitis, rheumatoid arthritis and psoriasis, and other autoimmune disorders. On the same day, we also released safety data updates for IBI-303. For further details, please refer to the Company's announcement dated 13 November 2018.

In November 2018, we entered into a global collaboration agreement with Chi-Med, through its innovation platform subsidiary, Hutchison MediPharma, to evaluate the safety and tolerability of our Tyvyt® (sintilimab) in combination with Hutchison MediPharma's fruquintinib in patients with advanced solid tumors. Under the terms of the agreement, the parties will jointly explore and develop potential applications of such combination in solid tumors both in the U.S. and China to meet global unmet medical needs. For further details, please refer to the Company's announcement dated 29 November 2018.

On 13 December 2018, we reported IBI-305 (bevacizumab biosimilar) has met pre-defined primary endpoints in two randomised, head-to-head clinical trials comparing IBI-305 to branded bevacizumab: a phase III clinical trial in patients with advanced non-squamous non-small cell lung cancer and a pharmacokinetic study in healthy subjects. IBI-305 is a recombinant humanised anti-VEGF monoclonal antibody and a biosimilar product candidate for Avastin (bevacizumab). For further details, please refer to the Company's announcement dated 13 December 2018.

On 16 December 2018, we and Incyte, a subsidiary of Incyte Corporation (Nasdaq: INCY), entered into a collaboration and license agreement. Pursuant to the agreement, Incyte has granted to us a license in China, Hong Kong, Macau and Taiwan in graft-versus-host disease, hematology and oncology fields to develop and commercialise three clinical-stage product candidates developed by Incyte, namely pemigatinib (FGFR1/2/3 inhibitor), itacitinib (JAK1 inhibitor) and parsaclisib (PI3Kδ inhibitor). Incyte is in return entitled to receive an upfront license fee of US$40 million and subsequent milestone and royalty payments. For further details, please refer to the Company's announcement dated 17 December 2018.

On 24 December 2018, Tyvyt® (sintilimab), a fully human PD-1 monoclonal antibody co-developed by the Group and Eli Lilly, was granted marketing approval by the NMPA for the treatment of patients with r/r cHL after two or more lines of systemic chemotherapy. For further details, please refer to the Company's announcement dated 27 December 2018.

On 29 December 2018, our manufacturing facilities received GMP certification from the NMPA for manufacturing our Tyvyt® (sintilimab).

On 10 December 2018, three grants were awarded from the "the National Major New Drugs Innovation and Development Projects" (國家重大新藥創製專項) approved by the Office of Key New Drug Innovation of the National Health and Family Planning Commission of the People's Republic of China (國家衛生計生委重大新藥創製科技重大專項實施管理辦公室), respectively for the development of our IBI-301 (rituximab biosimilar), IBI-303 (adalimumab biosimilar) and IBI-305 (bevacizumab biosimilar). Our Tyvyt® (sintilimab) and IBI-301 received such grants both in 2014. Our total number of drug and drug candidates that received such prestigious grants is four, among which our IBI-301 received such grants twice at different stages.

2. Events after the Reporting Period

On 2 January 2019, the first patient was dosed in a phase III clinical trial (ORIENT-15) that is to evaluate Tyvyt® (sintilimab), in combination with paclitaxel and cisplatin, as first-line treatment in patients with advanced, recurrent or metastatic esophageal squamous cell carcinoma. For further details, please refer to the Company's press release dated 2 January 2019.

On 7 January 2019, the clinical results of Tyvyt® (sintilimab) in patients with r/r cHL (ORIENT-1 study) were published as the cover article in *the Lancet Hematology*. For further details, please refer to the Company's press release dated 7 January 2019.

On 14 January 2019, the first patient was successfully dosed in a phase I clinical trial of IBI-188, an anti-CD47 monoclonal antibody, for patients with advanced malignant tumors. For further details, please refer to the Company's announcement dated 14 January 2019.

On 17 January 2019, the first patient was dosed in a phase III clinical trial (ORIENT-16) that is to evaluate Tyvyt® (sintilimab), in combination with capecitabine and oxaliplatin, as first-line treatment for patients with advanced, recurrent or metastatic gastric or gastroesophageal junction adenocarcinoma. For further details, please refer to the Company's press release dated 17 January 2019.

On 29 January 2019, the NMPA accepted the NDA for IBI-305 (bevacizumab biosimilar). For further details, please refer to the Company's announcement dated 29 January 2019.

In February 2019, IBI-318, a recombinant fully human bispecific antibody targeting PD-1 and an undisclosed target for a tumor-associated antigen, has been approved by the NMPA to initiate clinical trials in patients with hematological and advanced solid tumors. For further details, please refer to the Company's announcement dated 7 February 2019.

On 13 February 2019, the first patient was dosed in a phase I clinical trial of IBI-101, a recombinant fully human anti-OX40 monoclonal antibody. For further details, please refer to the Company's announcement dated 13 February 2019.

In February 2019, we entered into a collaboration agreement with Shenzhen Chipscreen Biosciences Co., Ltd. ("**Chipscreen Biosciences**"), one of the leading enterprises of small molecule innovative drugs in China, to evaluate the safety and tolerability of the combination therapy of Tyvyt® (sintilimab) and IBI-305 (bevacizumab biosimilar) with Chipscreen Biosciences' Chidamide, a benzamide-based selective inhibitor of class I (subtypes 1, 2, 3) and IIb (subtype 10) histone deacetylases (HDACs), in patients with advanced colorectal cancer. For further details, please refer to the Company's announcement dated 18 February 2019.

On 22 February 2019, we held a forum in Beijing for launch of commercialisation of our Tyvyt® (sintilimab). For further details, please refer to the Company's press release dated 22 February 2019.

On 28 February 2019, the first patient was dosed in a phase II/III clinical trial (ORIENT-32) that is to evaluate Tyvyt® (sintilimab), in combination with IBI-305 (bevacizumab biosimilar), as first-line treatment for patients with advanced hepatocarcinoma. For further details, please refer to the Company's announcement dated 28 February 2019.

As of the date of this announcement, we have completed construction of our second stage production facilities and have completed installation of six 3,000L stainless steel bioreactors. These facilities are currently in validation phase. This expansion increased our total production capacity to 21,000L, and will provide us additional capacity to support commercial production as well as clinical trials. These facilities are scheduled to go into operation in the second half of 2019 and we expect them to provide us with sufficient manufacturing capacity to support our growth.

3. Future Development

The Group will continue the quest to build a world-class China-based biopharmaceutical company that develops and commercialises high quality drugs that are affordable to ordinary people. To accomplish this mission, we will strive to achieve successful commercialisation of our Tyvyt® (sintilimab) and, upon requisite approval of our NDAs under review, also our IBI-305 (bevacizumab biosimilar) and IBI-303 (adalimumab biosimilar), to the benefit of both our shareholders and Chinese patients in need. In the meantime, we will continue to rapidly advance both ongoing and planned clinical programs for our pipeline products both in China and in the U.S. and will seek both expedited regulatory review of our upcoming NDAs and ultimately marketing approvals. Among other things, we expect to submit the NDA for IBI-301 (rituximab biosimilar) to the NMPA in the fourth quarter of 2019. We will also strengthen our fully-integrated platform, with a deliberate focus on the expansion of our manufacturing and commercialisation capabilities, in order to suit and support the continued growth, maturation and fruition of our pipeline. Among other things, we expect that the validation of our second stage production facilities including the six 3,000L stainless steel bioreactors will be completed later this year.

FINANCIAL REVIEW

Year Ended 31 December, 2018 Compared to Year Ended 31 December, 2017

	Year Ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**9,477**	18,538
Other income	**93,795**	64,406
Other gains and losses	**(4,272,090)**	(42,079)
Research and development expenses	**(1,221,687)**	(611,922)
Administrative expenses	**(220,315)**	(79,490)
Selling, marketing and business development expenses	**(136,006)**	(8,278)
Listing expenses	**(57,187)**	–
Finance costs	**(68,969)**	(57,225)
Loss and total comprehensive expenses for the year	**(5,872,982)**	(716,050)
Non-IFRS measure:		
Adjusted loss and total comprehensive expenses for the year	**(1,481,694)**	(635,742)

1. Overview

For the year ended 31 December 2018, the Group recorded revenue and other income of RMB103.3 million, as compared with RMB82.9 million for the year ended 31 December 2017, and the loss and total comprehensive expenses of RMB5,873.0 million, as compared with RMB716.1 million for the year ended 31 December 2017. The adjusted loss and total comprehensive expenses of the Group was RMB1,481.7 million for the year ended 31 December 2018, representing an increase of RMB846.0 million from RMB635.7 million for the year ended 31 December 2017, primarily due to the increase in the research and development expenses and the selling, marketing and business development expenses. The research and development expenses of the Group was RMB1,221.7 million for the year ended 31 December 2018, as compared with RMB611.9 million for the year ended 31 December 2017. The administrative expenses was RMB220.3 million for the year ended 31 December 2018 as compared with RMB79.5 million for the year ended 31 December 2017. The selling, marketing and business development expenses was RMB136.0 million for the year ended 31 December 2018 as compared with RMB8.3 million for the year ended 31 December 2017.

2. Revenue

For the year ended 31 December 2018, we generated revenue of RMB9.5 million from the research and development services provided by the Group to its customers. Our research and development revenue was recognised in accordance with the completion percentage of our services each year. Our revenue in 2018 decreased by RMB9.0 million, or 49%, from RMB18.5 million in 2017, which included an one-off license fee of RMB10.0 million we recorded in the first half of 2017.

3. Other Income

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

For the year ended 31 December 2018, the other income of the Group increased by RMB29.4 million, or 46%, to RMB93.8 million, from RMB64.4 million for the year ended 31 December 2017. The increase was primarily due to the interest earned on the proceeds of our series E financing and our initial public offering on the Stock Exchange ("**IPO**") and the increase in the government grant attributable to more research and development activities of us that are eligible for government subsidies.

4. Other Gains and Losses

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

For the year ended 31 December 2018, the other gains and losses of the Group increased by RMB4,230.0 million to a loss of RMB4,272.1 million from a loss of RMB42.1 million for the year ended 31 December 2017.

Fair Value Changes of Preferred Shares

The Group's other gains and losses for the year ended 31 December 2018 were primarily comprised of RMB4,338.0 million of loss on the fair value changes of preferred shares, representing an increase of RMB4,287.0 million from the year ended 31 December 2017. Such loss on the fair value changes of preferred shares was a non-cash and non-recurring accounting adjustment recognised as of the Listing Date, as the fair value of the preferred shares was deemed to be increased upon the completion of the IPO of the Company. As all of the Company's preferred shares were converted to ordinary shares upon the Listing Date, the Group will not incur any additional losses related to the fair value changes of preferred shares in 2019.

5. Research and Development Expenses

The Group's research and development expenses primarily consist of:

- third-party contracting costs incurred under agreements with consultants, contract research organisations, and clinical trial sites that conduct research and development activities on the Group's behalf;
- costs associated with purchasing raw materials for research and development of the Group's drug candidates;
- employee salaries and related benefit costs, including share-based compensation expenses, for research and development personnel;

- payment of license fees pursuant to collaboration agreements and/or license agreements; and

- expenses associated with inspection and maintenance of facilities, depreciation and amortisation expenses, travel expenses, insurance, utilities and other supplies used in research and development activities.

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

	Year Ended 31 December		Changes	
	2018	2017		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Third-party Contracting Costs	**406,668**	215,479	191,189	89
Raw material	**228,038**	168,934	59,104	35
Staff Costs	**154,254**	84,495	69,759	83
Depreciation and Amortisation	**60,326**	59,723	603	1
License Fee	**292,727**	40,731	251,996	619
Other	**79,674**	42,560	37,114	87
Total research and development expenses	**1,221,687**	611,922	609,765	100

For the year ended 31 December 2018, the research and development expenses of the Group increased by RMB609.8 million, or 100%, to RMB1,221.7 million from RMB611.9 million for the year ended 31 December 2017. The increase was primarily attributable to (i) the increased expenses incurred for additional clinical trials and R&D activities as more drug candidates transitioned into clinical trial stage, and (ii) the upfront license fee payment of RMB271 million incurred under our collaboration and license agreement with Incyte.

6. Administrative Expenses

For the year ended 31 December 2018, the administrative expense of the Group increased by RMB140.8 million, or 177%, to RMB220.3 million from RMB79.5 million for the year ended 31 December 2017. The increase was primarily attributable to the investment in the infrastructure to support the Group's business expansion, such as increasing the supporting staff.

7. Selling, Marketing and Business Development Expenses

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

For the year ended 31 December 2018, the selling, marketing and business development expenses of the Group increased by RMB127.7 million to RMB136.0 million from RMB8.3 million for the year ended 31 December 2017. The increase was primarily due to the significant expansion of the selling and marketing capacity and the launch of more marketing activities in preparation for the commercialisation of Tyvyt® (sintilimab) in 2019.

8. Listing Expenses

For the year ended 31 December 2018, the Group recognised a one-off listing expenses of RMB57.2 million incurred in connection with the initial public offering and listing of the Company's shares on the Stock Exchange on 31 October 2018.

9. Finance Costs

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

For the year ended 31 December 2018, the finance costs of the Group increased by RMB11.8 million, or 21%, to RMB69.0 million from RMB57.2 million for the year ended 31 December 2017. This increase was primarily due to the increase in the average balance of the payments that we have received in advance in connection with the commercialisation license from Eli Lilly so far pursuant to the Exclusive License and Collaboration Agreement for China and Co-Development Agreement entered into between us and Eli Lilly in March 2015 ("**Lilly China Agreement**"), which governs the development and commercialisation activities concerning Tyvyt® (sintilimab) and IBI-301 (rituximab biosimilar). In accordance with IFRS, revenue from the Lilly China Agreement will commence to be recognised over time once the customers receive and consume the benefits during the commercialisation stage. During the year ended 31 December 2018, the Group received collaboration fee on development cost sharing of approximately RMB74.2 million, as compared to RMB24.3 million for the year ended 31 December 2017. Since the period between the transfer of license and customer's payments was, at contract inception, expected to be more than one year, the Group concluded that the contract contains a significant financing component and determined to use a return rate of 11% in adjusting for the effect of time value of money over the promised amount of consideration, and the interest expenses so recognised during the year ended 31 December 2018 was RMB43.9 million, and was RMB32.3 million during the year ended 31 December 2017. Both consideration received and interest expenses recognised are recorded under contract liabilities at the end of each reporting period.

10. Income Tax Expense

For the year ended 31 December 2018 and 2017, the Group did not incur any income tax expense as the Group did not generate taxable income in both years.

11. Loss for the Reporting Period

As a result of the above factors, the loss of the Company increased by RMB5,156.9 million to RMB5,873.0 million for the year ended 31 December 2018 from RMB716.1 million for the year ended 31 December 2017.

12. Non-IFRS Measure

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

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

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

	Year Ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loss and total comprehensive expenses for the year	**(5,872,982)**	(716,050)
Added:		
Loss on changes in fair value of preferred shares	**4,338,044**	51,013
Share-based compensation expenses	**53,244**	29,295
Adjusted loss and total comprehensive expenses for the year	**1,481,694**	635,742

Selected Balance Sheet Data

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total current assets	**4,686,261**	1,445,755
Total non-current assets	**1,426,316**	1,011,461
Total assets	**6,112,577**	2,457,216
Total current liabilities	**670,321**	163,276
Total non-current liabilities	**1,247,842**	3,916,068
Total liabilities	**1,918,163**	4,079,344
Net current assets	**4,015,940**	1,282,479

13. Liquidity and Source of Funding and Borrowing

As at 31 December 2018, the Group's cash and cash equivalents increased to RMB4,524.8 million from RMB183.8 million as at 31 December 2017. The increase primarily resulted from the proceeds of the Group's series E equity financing and the initial public offering.

As at 31 December 2018, the current assets of the Group were RMB4,686.3 million, including bank balances and cash of RMB4,525.4 million and other current assets of RMB160.9 million. As at 31 December 2018, the current liabilities of the Group were RMB670.3 million, including trade payables of RMB42.8 million, contract liabilities of RMB17.0 million, other payables and accrued expenses of RMB600.5 million and borrowings of RMB10.0 million. As at 31 December 2018, the Group has available unutilised short-term bank loan facilities of approximately RMB128 million, as compared to RMB15 million as at 31 December 2017.

14. Key Financial Ratios

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

	As at 31 December	
	2018	2017
Current ratio[(1)]	**7.0**	8.9
Quick ratio[(2)]	**6.9**	8.5
Gearing ratio[(3)]	**NM[(4)]**	NM[(5)]

Notes:

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

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

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total Equity and multiplied by 100%.

(4) Gearing ratio is not meaningful as our interest-bearing borrowings less cash equivalents was negative as of 31 December 2018.

(5) Gearing ratio is not meaningful as our (deficiency of) total equity was negative as of 31 December 2017.

15. Material Investments

The Group did not make any material investments during the year ended 31 December 2018.

16. Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2018.

17. Pledge of Assets

As at 31 December 2018, the Group had total RMB611.7 million of property, plant and equipment, RMB54.1 million of land use rights and RMB0.5 million of bank deposits pledged to secure its loans and banking facilities.

18. Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

19. Foreign Exchange Exposure

During the year ended 31 December 2018, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As at 31 December 2018, a significant amount of the Group's bank balances and cash was denominated in U.S. dollars. Except for certain bank balances and cash, other receivables, trade and other payables, and other financial liabilities denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at 31 December 2018.

20. Employees and Remuneration

As at 31 December 2018, the Group had 959 employees. The following table sets forth the total number of employees by function as of 31 December 2018:

Function	**Number of employees**	**% of total**
Research and Development	492	51.3
Manufacturing	121	12.6
Selling and Marketing	264	27.5
General and Administrative	82	8.6
Total	**959**	**100.0**

The total remuneration cost incurred by the Group for the year ended 31 December 2018 was RMB371.2 million, as compared to RMB135.8 million for the year ended 31 December 2017.

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

The Company also has adopted a Pre-IPO Share Incentive Plan, a post-IPO share option scheme and the Innovent Biologics, Inc. 2018 Restricted Share Plan. Please refer to the section headed "STATUTORY AND GENERAL INFORMATION – D. EQUITY PLAN" in Appendix IV to the prospectus of the Company dated 18 October 2018 (the "**Prospectus**") for further details.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Thursday, 13 June 2019 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10 June 2019 to Thursday, 13 June 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, unregistered holders of shares must lodge all properly completed transfer forms accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, 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 Thursday, 6 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on 28 April 2011 as an exempted company with limited liability, and the shares of the Company were listed on the Stock Exchange on 31 October 2018.

1. Compliance with the Corporate Governance Code

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company was only listed on the Main Board of the Stock Exchange on 31 October 2018. Since the listing of the Company to 31 December 2018, the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules except for the following deviation.

Pursuant to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on 31 October 2018, only one Board meeting was held during the period from 31 October 2018 to 31 December 2018.

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

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2018.

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

2. Compliance with the Model Code for Securities Transactions by Directors

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 to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to all the Directors and they have confirmed that they have complied with the Model Code during the year ended 31 December 2018.

3. Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

4. Audit Committee

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018 and has met with the independent auditor, Messrs. Deloitte Touche Tohmatsu. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

5. Other Board Committees

In addition to the audit committee, the Company has also established a nomination committee, a remuneration committee and a strategy committee.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares since listing of the Company's shares on the Stock Exchange to 31 December 2018.

7. Material Litigation

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2018. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to 31 December 2018.

8. Use of Proceeds

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

- Approximately 65% of the net proceeds will be allocated to the Group's four core products as follows:

  (i) 52% of net proceeds, or approximately HK$1,895.9 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of Tyvyt® (sintilimab);

(ii) 8% of net proceeds, or approximately HK$291.7 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-305 (bevacizumab biosimilar);

(iii) 4% of net proceeds, or approximately HK$145.8 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-301 (rituximab biosimilar); and

(iv) 1% of net proceeds, or approximately HK$36.5 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-303 (adalimumab biosimilar).

- Approximately 25% of net proceeds, or approximately HK$911.5 million, will be allocated to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in the Group's pipeline.

- Approximately 10% of net proceeds, or approximately HK$364.5 million, will be allocated for working capital and general corporate purposes.

As at 31 December 2018, approximately RMB398.5 million of the net proceeds of the global offering has been utilised as follows:

- Approximately RMB145.0 million has been used for the Group's four core products as follows:

(i) Approximately RMB121.3 million has been used to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of Tyvyt® (sintilimab);

(ii) Approximately RMB10.9 million has been used to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-305 (bevacizumab biosimilar);

(iii) Approximately RMB9.2 million has been used to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-301 (rituximab biosimilar); and

(iv) Approximately RMB3.6 million has been used to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-303 (adalimumab biosimilar).

- Approximately RMB94.3 million has been used for the ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in the Group's pipeline.

- Approximately RMB159.2 million has been used for working capital and general corporate purposes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Revenue	*1*	**9,477**	18,538
Other income		**93,795**	64,406
Other gains and losses	*2*	**(4,272,090)**	(42,079)
Research and development expenses		**(1,221,687)**	(611,922)
Administrative expenses		**(220,315)**	(79,490)
Selling, marketing and business development expenses		**(136,006)**	(8,278)
Listing expenses		**(57,187)**	–
Finance costs		**(68,969)**	(57,225)
Loss and total comprehensive expenses for the year		**(5,872,982)**	(716,050)
Loss and total comprehensive expenses for the year attributable to:			
Owners of the Company		**(5,771,492)**	(562,318)
Non-controlling interests		**(101,490)**	(153,732)
		(5,872,982)	(716,050)
Loss per share			
Basic (RMB Yuan)	*3*	**(17.24)**	(5.96)
Diluted (RMB Yuan)		**(17.24)**	(5.96)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,078,053**	761,818
Prepaid lease payments		**52,842**	54,090
Deposits for acquisition of property, plant and equipment		**45,114**	60,020
Other receivables and tax recoverables		**250,307**	135,533
		1,426,316	1,011,461
Current assets			
Inventories		**66,121**	57,722
Deposits, prepayments and other receivables		**72,309**	53,762
Contract assets		**7,505**	–
Income tax recoverables		**13,726**	13,068
Other financial assets		**–**	809,484
Prepaid lease payments		**1,248**	1,248
Bank balances and cash		**4,525,352**	510,471
		4,686,261	1,445,755
Current liabilities			
Trade payables	*4*	**42,821**	34,836
Other payables and accrued expenses		**600,498**	122,540
Contract liabilities		**17,002**	900
Borrowings		**10,000**	5,000
		670,321	163,276
Net current assets		**4,015,940**	1,282,479
Total assets less current liabilities		**5,442,256**	2,293,940
Non-current liabilities			
Contract liabilities		**449,887**	348,765
Borrowings		**782,000**	505,000
Government grants		**15,955**	11,211
Other financial liabilities	*4*	**–**	3,051,092
		1,247,842	3,916,068
Net assets/(liabilities)		**4,194,414**	(1,622,128)
Capital and reserves			
Share capital		**79**	8
Reserves		**4,194,335**	(1,942,556)
Equity attributable to owners of the Company		**4,194,414**	(1,942,548)
Non-controlling interests		**–**	320,420
Total equity (deficiency of total equity)		**4,194,414**	(1,622,128)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

Innovent Biologics, Inc. (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company, as a holding company, indirectly owns the subsidiaries which run all of the business. The Company's subsidiaries are principally engaged in research and development of antibody and protein medicine products, sale and distribution of pharmaceutical products, and provision of consultation and research and development services.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Company and its subsidiaries (the "**Group**") have consistently applied all the new and revised IFRSs issued by the International Accounting Standards Board (the "**IASB**"), that are effective for the Group's accounting period beginning on 1 January 2018 for the years ended 31 December 2017 and 2018.

The Group has also applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, 1 January 2019, for the years ended 31 December 2017 and 2018.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by IFRS 16.

1. REVENUE AND SEGMENT INFORMATION

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

	2018	2017
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time		
License fee income	**–**	10,000
Overtime		
Research and development service fee income	**9,477**	8,538
	9,477	18,538

For the purpose of resource allocation and assessment of segment performance, the chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

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

Revenue by geographical location

	2018	2017
	RMB'000	*RMB'000*
The PRC	**9,477**	18,538

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	RMB'000	*RMB'000*
Customer A	**9,177**	18,538

2. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(3,316)**	–
Gain from changes in fair value of wealth management plans (financial assets mandatorily measured at FVTPL)	**5,141**	38,204
Loss from changes in fair value of other financial liabilities measured as at FVTPL	**(4,338,044)**	(51,013)
Net foreign exchange gains (losses)	**64,129**	(29,270)
	(4,272,090)	(42,079)

3. LOSS PER SHARE

(a) Basic

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

Loss figures are calculated as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(5,771,492)**	(562,318)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**334,683,802**	94,310,080

The computation of basic loss per share for the year ended 31 December 2018 excluded the unvested restricted shares of the Company.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been retrospectively adjusted for the share subdivision.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had three categories of potential ordinary shares, unvested restricted shares of the Company, Preferred Shares issued by the Company and the shares options awarded under the share incentive plan (the "**Plan**"). As the Group incurred losses for the year ended 31 December 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the year ended 31 December 2018 are the same as basic loss per share.

4. TRADE PAYABLES/OTHER FINANCIAL LIABILITIES

a) A majority of the trade payables aged less than one year.

b) The Company entered into share purchase agreements with offshore independent investors and together with Innovent Suzhou, entered into investment agreement and option agreements with onshore investors, and issued five series of Preferred Shares prior to the global offering:

	Date of grants	Number of investors	Total number of shares issue	Subscription price per share	Total Consideration US'000	Equivalent to RMB'000
Series A	11 October 2011	2	5,000,000	US$1	5,000	31,821
Series B						
– Tranche 1	21 June 2012	3	9,090,912	US$2.2	20,000	126,270
– Tranche 2	14 November 2012	1	2,272,727	US$2.2	5,000	31,500
– Tranche 3	20 May 2013*	1	2,272,727	US$2.2	5,000	31,095
			13,636,366			
Series C						
– Tranche 1A	26 December 2014	10	13,617,946	US$7.2375	98,560	604,168
– Tranche 1B	26 December 2014*	1	198,963	US$7.2375	1,440	9,032
– Tranche 2	17 December 2015	1	2,072,539	US$7.2375	15,000	95,367
			15,889,448			
Series D						
– Tranche 1	26 September 2016	9	15,081,805	US$12.2	184,000	1,228,374
– Tranche 2	23 December 2016*	4	6,393,373	US$12.2	78,002	542,078
			21,475,178			
Series E						
– Tranche 1	31 January 2018	2	6,706,409	US$13.42	90,000	570,051
– Tranche 2	4 April 2018	11	4,470,939	US$13.42	60,000	377,770
			11,177,348			

* *Subscribed by onshore PRC investors*

Presentation and Classification

The Group and the Company have designated the Preferred Shares as whole as financial liabilities measured at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income, if any. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the loss on fair value changes of other financial liabilities under the other gains and losses line item. Management considered that there is no credit risk of the financial liability that drives the change of the fair value of the financial liability.

The Group has recognised the gross obligations from Share Purchase Options written as financial liabilities measured at FVTPL as the put option is over the ordinary shares of Innovent Suzhou and therefore does not meet the definition of equity for the Company.

The Company has recognised the Share Purchase Options as financial liabilities measured at FVTPL.

As at 31 October 2018, all Preferred Shares were automatically converted into ordinary shares and the fair value of the preferred shares were measured at the IPO issue price of HK$13.98.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.innoventbio.com. The annual report of the Group for the year ended 31 December 2018 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

By order of the Board
Innovent Biologics, Inc.
Dr. De-Chao Michael Yu
Chairman and Executive Director

Hong Kong, 13 March 2019

As at the date of this announcement, the Board comprises Dr. De-Chao Michael Yu as Chairman and Executive Director and Mr. Ronald Hao Xi Ede as Executive Director, Mr. Shuyun Chen as Non-executive Director, and Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen as Independent Non-executive Directors.