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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)

INSIDE INFORMATION ANNOUNCEMENT

BUSINESS UPDATE AND PROFIT WARNING; AND

FINANCIAL INFORMATION IN RELATION TO RMB SHARE PROSPECTUS

This announcement is made by InnoCare Pharma Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BUSINESS UPDATE AND PROFIT WARNING

The Company wishes to inform its shareholders and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022 and information currently available to the board (the “**Board**”) of directors (the “**Directors**”) of the Company, it is expected that the Group will record (1) a consolidated revenue of no less than RMB236.0 million for the six months ended 30 June 2022, representing an increase of no less than 132.2% from a consolidated revenue of approximately RMB101.7 million for the same period in 2021, which is mainly attributable to the increase of sales of Orelabrutinib; and (2) a consolidated net loss attributable to the Company’s shareholders of no more than approximately RMB495.0 million for the six months ended 30 June 2022, representing an increase of no more than 136.4% from a consolidated net loss attributable to the Company’s shareholders of approximately RMB209.4 million for the same period in 2021, which is mainly attributable to the combined impact of the following factors:

- (i) the significant increase of the Group’s research and development costs arising from the substantial increase in the number of the Group’s products under clinical trials and the clinical trials being conducted, and

- (ii) the rise in net loss on foreign exchange, the main reason for which is that the Company adopts the U.S. dollar as the functional currency, while the Group's daily business activities are mainly in Mainland China, and the proceeds from the listing and additional issuance of the Company's shares in Hong Kong were mainly converted into offshore Renminbi. Accordingly, the amount of cash and bank balances dominated in the non-functional currency Renminbi of the Group is relatively high, while due to the impact of fluctuations in the exchange rate of Renminbi against the U.S. dollar in the first half of 2022, the amount of unrealized exchange losses expected to occur in the first half of 2022 will increase substantially in terms of accounting treatment.

As at the date of this announcement, the Company is still in the process of finalizing the Group's interim results for the six months ended 30 June 2022. Therefore, the information contained in this announcement is only based on the preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022 and the information currently available, which have not been audited or reviewed by the auditors or the audit committee of the Company and may be subject to amendments and adjustments. Shareholders and potential investors of the Company are advised to read with caution the interim results announcement of the Company for the six months 30 June 2022, which is expected to be published on or around 19 August 2022.

FINANCIAL INFORMATION IN RELATION TO RMB SHARE PROSPECTUS

Reference is made to the Company's announcements dated 11 March 2021, 26 May 2021, 13 September 2021, 13 April 2022, 1 June 2022 and 3 August 2022 and the Company's circulars dated 3 June 2021, 18 May 2022 and supplemental circular dated 6 June 2022 (the "**Circulars**") in relation to, among others, the RMB Share Issue. Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the Circulars.

The Company has submitted the updated prospectus in connection with its application for the RMB Share Issue (the "**RMB Share Prospectus**") to the Shanghai Stock Exchange (the "**SSE**"). According to the relevant regulations of the PRC, the RMB Share Prospectus and related materials have been published on the website of the Review and Approval of the Issuance of Listing of Stocks on the Sci-Tech Innovation Board of the SSE (上交所科創板股票發行上市審核網站) at kcb.sse.com.cn on 3 August 2022, and available to the public on 4 August, 2022. The RMB Share Prospectus contains, among other things, the key financial information of the Company as at 31 March 2022 and for the three months ended 31 March 2022.

The key financial information of the Company as at 31 March 2022 and for the three months ended 31 March 2022 is prepared in accordance with the China Accounting Standards for Business Enterprises – Basic Standard and other applicable PRC accounting rules, guidance and interpretations and presented below in RMB.

The key financial information of the Company as at 31 March 2022 and for the three months ended 31 March 2022 is set out in the section headed "XVII. Key Financial Information and Operating Conditions after the Ending Date of the Audited Financial Report" under the "Section VIII – Financial Information and Management Analysis" of the RMB Share Prospectus, which has been reviewed but not audited by Ernst & Young Hua Ming LLP.

The Company confirmed that there is no significant difference between the net assets and net loss in the key financial information as at 31 March 2022 and for the three months ended 31 March 2022 and those prepared in accordance with the Hong Kong Financial Reporting Standards.

The development of the Group’s principal business and major products as at 31 December 2021 and from 31 December 2021 to the latest practicable date prior to the publication of the RMB Share Prospectus is set out in the section headed “I. Principal business of the Issuer and the Basic Information of Major Products” under the “Section VI – Business and Technology” in the RMB Share Prospectus.

The key financial information of the Company as at 31 March 2022 and for the three months ended 31 March 2022 is as follows:

1. Key Figures under Consolidated Balance Sheet

Unit: RMB0’000

Items	31 March 2022 (Unaudited)	31 December 2021 (Audited)	Percentage of change
Total assets	727,101.78	741,496.99	-1.94%
Total liabilities	172,117.07	175,605.05	-1.99%
Total equity attributable to owners	554,984.71	565,891.94	-1.93%
Equity attributable to shareholders of the parent company	549,786.27	560,455.95	-1.90%

Note: Percentage of change = unaudited financial data as at 31 March 2022/audited financial data as at the end of 2021-1

As at 31 March 2022, total assets of the Group amounted to RMB7,271,017,800, representing a decrease of 1.94% as compared to the end of the previous year, mainly due to the decrease in cash and bank balances as the Group invested more funds in research and development activities in the first quarter of 2022 with the continuing development of its product pipeline. Total liabilities of the Group amounted to RMB1,721,170,700, representing a decrease of 1.99% as compared to the end of the previous year, mainly due to the decrease in tax payable and other payables. As at 31 March 2022, the Group’s equity attributable to owners of the parent company amounted to RMB5,497,862,700, representing a decrease of 1.90% as compared to the end of the previous year, mainly due to the decrease in total assets as a result of the decrease in cash and bank balances.

2. Key Figures under Consolidated Income Statement

Unit: RMB0'000

Items	January to March 2022 (Unaudited)	January to March 2021 (Audited)	Percentage of change
Operating revenue	11,912.05	5,004.73	138.02%
Operating profit	-12,010.57	-14,941.71	-19.62%
Total profit	-12,061.80	-14,963.30	-19.39%
Net profit	-12,061.80	-14,948.21	-19.31%
Net profit attributable to shareholders of the parent company	-11,824.25	-14,781.99	-20.01%
Net profit attributable to shareholders of the parent company after non-recurring profit or loss	-13,405.47	-14,462.70	-7.31%

Note: Percentage of change = unaudited financial data for January to March 2022/audited financial data for the same period of 2021 – 1

From January to March 2022, the Group achieved operating revenue of RMB119,120,500, representing a year-on-year increase of 138.02%; meanwhile, from January to March 2022, the Group achieved net profit of RMB-120,618,000, net profit attributable to shareholders of the parent company of RMB-118,242,500 and net profit attributable to shareholders of the parent company after non-recurring profit or loss of RMB-134,054,700, respectively, representing a decrease in loss as compared with the same period of the previous year. The above changes were mainly due to: 1) the continuous growth in the sales of the Company's product, Orelabrutinib, since its inclusion in the new medical insurance catalogue, and the rapid growth in the Company's operating revenue in the first quarter as compared with the same period of the previous year; 2) the Company's foreign exchange gain in the first quarter of 2022 as compared with the higher amount of foreign exchange loss for the same period of the previous year; 3) the increase in government grants related to the Company's daily activities, which led to the increase in other gains.

3. Key Figures under Consolidated Statement of Cash Flows

Unit: RMB0'000

Items	January to March 2022 (Unaudited)	January to March 2021 (Audited)	Percentage of change
Net cash flows from operating activities	-13,798.60	-6,620.63	108.42%
Net cash flows from investing activities	-161,330.52	-196,629.57	-17.95%
Net cash flows from financing activities	-850.85	252,348.34	-100.34%
Effect on cash and cash equivalents arising from change in foreign exchange rate	-1,101.85	3,750.30	-129.38%
Net increase in cash and cash equivalents	-177,081.83	52,848.44	-435.07%

Note: Percentage of change = unaudited financial data for January to March 2022/audited financial data for the same period of 2021 – 1

For January to March 2022, net cash flows from operating activities of the Group amounted to RMB-137,986,000, representing a year-on-year decrease which was mainly due to the increase in cash paid for purchase of goods and receipt of labour services and payment of personnel costs for January to March 2022 as the Company expanded its scale of operations. From January to March 2022, the Group's net cash flows from investing activities amounted to RMB-1,613,305,200, representing a year-on-year increase which was mainly due to the decrease in cash paid for investment in the period as a result of the decrease in the amount of wealth management products purchased by the Group or time deposits with over 3 months during the period as compared to the same period of the previous year. For January to March 2022, net cash flow from the Company's financing activities was RMB-8,508,500, representing a year-on-year decrease which was mainly due to more cash received from investors through the issuance of additional shares on the Hong Kong stock market in the same period of the previous year. For January to March 2022, the net increase in cash and cash equivalents amounted to RMB-1,770,818,300, representing a decrease as compared to the same period of the previous year, which was mainly due to the higher net cash flows from the Company's financing activities through the issuance of additional shares on the Hong Kong stock market in the same period of the previous year.

4. Key Figures under Statement of Non-recurring Profit or Loss

Unit: RMB0'000

Items	January to March 2022 (Unaudited)	January to March 2021 (Audited)	Percentage of change
Loss from disposal of non-current assets (including the write-off of the asset impairment provision)	–	–0.15	–100.00%
Government grants credited to profit or loss for the period (exclusive of those that are closely related to the normal operation and received in a certain amount or fixed quantity according to the requirements of national policies)	2,140.44	405.53	427.81%
Gains or losses from fair value changes arising from holding financial assets held for trading, and returns on investments on disposal of financial assets held for trading other than the effective hedging business related to the normal operating business of the Company	482.71	–	100.00%
Other non-operating income and expenses except the above items	–51.23	–21.59	137.27%
Other profit or loss items within the definition of non-recurring profit or loss	–1,029.37	–755.83	36.19%
Sub-total	1,542.55	–372.04	–514.62%
Impact of income tax for non-recurring profit or loss	–	–	–
Impact of minority interests	38.67	52.75	–26.69%
Net profit after impact of non-recurring profit or loss	1,581.22	–319.29	–595.22%

Note: Percentage of change = unaudited financial data for January to March 2022/audited financial data for the same period of 2021 – 1

For January to March 2022, the Group's net profit attributable to shareholders of the parent company after impact of non-recurring profit or loss amounted to RMB15,812,200, representing a year-on-year increase which was mainly attributable to the increase in government grants included in the profit and loss for the period as a result of the higher amount of revenue-related special development fund grants received by the Group during the period.

The English version of the above summary of the financial information is the unofficial translation of its Chinese version. In case of any inconsistency, the Chinese version shall prevail.

For more details of the RMB Share Issue, please refer to the RMB Share Prospectus published on the website of the SSE (www.sse.com.cn) on 3 August 2022, and available to the public on 4 August, 2022.

Shareholders and potential investors of the Company should be aware that there is no assurance that the RMB Share Issue will materialise or as to when it may materialize which will depend on, among other things, market conditions at the relevant time. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. Further announcement(s) will be made to disclose any material updates and developments in respect of the RMB Share Issue in accordance with the Listing Rules and other applicable laws and regulations as and when appropriate. This announcement is for information only and is not intended to and does not constitute, or form part of, an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

By order of the Board
InnoCare Pharma Limited
Dr. Jisong Cui
Chairperson and Executive Director

Hong Kong, 5 August 2022

As at the date of this announcement, the Board of Directors of the Company comprises Dr. Jisong Cui as Chairperson and executive Director, Dr. Renbin Zhao as executive Director, Dr. Yigong Shi, Mr. Shan Fu, Mr. Ronggang Xie and Mr. Ming Jin as non-executive Directors, and Dr. Zemin Zhang, Ms. Lan Hu and Dr. Kaixian Chen as independent non-executive Directors.