Innovent
信达生物制药

Innovent Biologics, Inc. 信達生物製藥 | Stock Code 股份代號：1801

(Incorporated in the Cayman Islands with limited liability)（於開曼群島註冊成立之有限公司）

2022·年報
ANNUAL REPORT

Contents

Company Profile

Overview

Innovent Biologics, Inc. is a biopharmaceutical company committed to developing and commercializing high-quality innovative therapeutics that are affordable to ordinary people. Founded in 2011 by Dr. De-Chao Michael Yu, we have instituted global quality standards in every aspect of our business operations, and have built a fully-integrated multi-functional biopharmaceutical platform consisting of research, CMC, clinical development and commercialization capabilities.

We have developed a rich pipeline covering a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, multi-specific antibodies, cell engagers，antibody-drug conjugates (ADCs), immuno-cytokine, cell therapy and small molecules etc.), spanning multiple major therapeutic areas including oncology, cardiovascular and metabolic, autoimmune and ophthalmology diseases, and with promising tremendous clinical and commercial potential as monotherapies or combination therapies to address unmet medical needs.

Pipeline summary

The Company has built a strong pipeline with 35 innovative molecules, including 25 oncology and 10 non-oncology pipelines, of which 8 products have been approved for marketing, 3 assets are under NMPA review, 5 assets have entered into Phase III or pivotal clinical studies, and approximately 20 molecules are in Phase I/II clinical stage.

Corporate Information

Board of Directors

Executive Directors

Dr. De-Chao Michael Yu
(Chairman of the Board and Chief Executive Officer)
Mr. Ronald Hao Xi Ede

Independent Non-Executive Directors

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen
Mr. Gary Zieziula

Audit Committee

Ms. Joyce I-Yin Hsu *(Chairwoman)*
Dr. Kaixian Chen
Dr. Charles Leland Cooney
Mr. Gary Zieziula

Remuneration Committee

Ms. Joyce I-Yin Hsu *(Chairwoman)*
Dr. De-Chao Michael Yu
Dr. Kaixian Chen

Nomination Committee

Dr. De-Chao Michael Yu *(Chairman)*
Dr. Charles Leland Cooney
Dr. Kaixian Chen

Strategy Committee

Dr. De-Chao Michael Yu *(Chairman)*
Mr. Ronald Hao Xi Ede
Dr. Charles Leland Cooney
Mr. Gary Zieziula

Joint Company Secretaries

Ms. Yanju Wang
Ms. Lok Yee Chan *(ACG/HKACG)*

Authorised Representatives

Mr. Ronald Hao Xi Ede
Ms. Lok Yee Chan *(ACG/HKACG)*

Auditor

Deloitte Touche Tohmatsu
Registered Public Interests Entity Auditors
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Corporate Information

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Cayman Islands

Corporate Information

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Stock Code

1801

Company Website

www.innoventbio.com

Chairman's Statement

Dr. De-Chao Michael Yu

Chairman of the Board
Executive Director and
Chief Executive Officer

Dear Shareholders,

Thank you for your continued support for Innovent.

2022 was the first year for Innovent's second decade in business. Over ten years of development and growth, Innovent has successfully transformed into a leading biopharmaceutical company in China. In 2022, despite challenges amid COVID pandemic and macro environments, we have been taking initiative to strengthen our foundation for more sustainable growth as we believe efficiency improvement, technological innovation and sustainable growth should be more emphasized in the biopharmaceutical industry.

In the past year, we have developed a more sustainable and healthier commercialization model with more diversified portfolio and improved operational efficiency. Our strategic position in several key non-oncology R&D areas brings another important pillar of our future business growth in addition to oncology area. We further strengthened innovation with extended Innovent Academy technology and multiple collaborations with international pharmaceutical companies. We enhanced CMC capabilities and productivity to safeguard high quality, cost advantages and market competitiveness of our medicines.

In 2022, we expanded our commercial portfolio to a total of 8 products on market with the approvals of Cyramza® (ramucirumab) and Retsevmo® (selpercatinib). Labels of the other marketed drugs were also further expanded with new indications and new territories. TYVYT® (sintilimab injection) was approved for two new indications (1L ESCC and 1L GC) and became the only PD-1 inhibitor approved for the 1L treatment of five high-incidence cancer types (sq NSCLC, nsq NSCLC, HCC, ESCC & GC); Pemazyre® (pemigatinib), the world's first approved targeted drug for mCCA, was approved for the 2L treatment of mCCA in mainland China and Hong Kong; BYVASDA® (bevacizumab injection) was approved for marketing in Indonesia, becoming the first Chinese antibody drug commercialized that will be produced locally in Southeast Asia markets.

In 2022, we achieved product revenue of about RMB4.1 billion with a year-to-year increase of 3.4%. The product sales were affected by one-off factors including COVID and unit price reduction of TYVYT® (sintilimab injection) during 2022, while continuous ramp-up of product volume and higher contribution of new products helped offset some of the impact, which we believe also laid a good foundation for future growth of our commercial portfolio.

Chairman's Statement

We have further improved our commercial operational efficiency and productivity under a more sustainable and healthier commercial management model. In 2022, preliminary positive outcome were observed: the ratio of sales and marketing expenses to total product revenue (under IFRS measurement) decreased from 65.5% in 2021 to 62.6% in 2022, and from 68.5% in the first half of 2022 to 56.9% in the second half of 2022, in particular.

Looking ahead, we believe 2023 will be a milestone year for continuous expansion and solid growth in our commercial portfolio. Two additional indications of TYVYT® (sintilimab injection) for the treatment of 1L ESCC & 1L GC, olverembatinib for the first listing, and multiple additional indications of BYVASDA® (bevacizumab injection), HALPRYZA® (rituximab injection), and SULINNO® (adalimumab injection) were included in the latest NRDL, which will further expand reimbursement coverage to benefit broader patient groups. Meanwhile, we expect three new assets/therapies, including equecabtagene autoleucel injection (BCMA CAR-T), tafolecimab injection (PCSK-9) and parsaclisib (PI3Kδ) to be approved in 2023, bringing a more diversified commercial portfolio of over ten products.

We have built our commercial team in the past 4 years with an experienced and professional sales and marketing team of nearly 3,000 talents. Leveraging on our high-quality products and our broad coverage in commercial channels nationwide, we continue to strengthen our market leadership in oncology franchise. In the meantime, we are also strategically establishing commercial presence in certain key non-oncology therapeutic areas including CVM and autoimmune field, which will gradually become another important pillar of our more diversified and long-term business growth.

In our robust pipeline of over 30 innovative drug candidates, 8 products are approved as stated above, 3 assets are currently under NDA review by the NMPA, 5 assets are in Phase 3 or pivotal clinical trials, and approximately 20 assets in Phase I/II clinical studies.

We are expanding the boundary of novel oncology therapies through pursuit of novel targets and modalities, innovative mechanisms of action and combination therapy strategies:

- NDAs for equecabtagene autoleucel injection (BCMA CAR-T) and parsaclisib (PI3Kδ) are under regulatory review to strengthen our hematologic franchise;

- We pioneer the development of three drug candidates for treatment of lung cancer, including IBI-351 ($KRAS^{G12C}$), IBI-344 (ROS1/TRK), IBI-126 (CEACAM5 ADC) in ongoing Phase 3 or pivotal trials, which are expected to improve the synergistic advantages of our lung cancer franchise;

- We are actively developing multiple global innovative IO molecules such as IBI-110 (LAG3) and IBI-939 (TIGIT) with preliminary positive PoC data achieved, and IBI-363 (PD1-IL2) in Phase 1; and

- Importantly, our established ADC proprietary technology platform with Innovent Academy started to deliver next-generation ADC candidates to clinical development and IND-enabling stage, with IBI-343 (CLDN18.2 ADC) being the first to advance into a Phase 1 multi-regional clinical trial in Australia and China.

In addition to oncology, we strategically focus our R&D effort towards several high-potential fields such as CVM diseases, autoimmune diseases and ophthalmology diseases, aiming to bring innovative medicines to address unmet patient needs, improve quality of life for a wide range of patient populations and build our brand franchise and competitive advantage in those fields.

In the CVM field, we are rolling out high-potential innovative assets for multiple high-prevalence chronic diseases:

- We submitted the NDA and anticipate tafolecimab injection (PCSK-9) will potentially be the first domestic anti-PCSK-9 antibody approved in China in 2023 for the treatment of hypercholosterolemia;
- We entered into Phase 3 registrational trials of IBI-362 (GLP-1R/GCGR) in obesity and T2DM in late 2022 to early 2023, based on robust best-in-class potential data observed in Phase 2 studies; and
- We plan to initiate Phase 3 registrational trials of IBI-128 (XOI) for the treatment of hyperuricemia in gout patients and IBI-311 (IGF-1R) for the treatment of thyroid associated ophthalmopathy in 2023.

In autoimmune field, we will capture differentiated clinical value to fulfill substantial unmet medical needs:

- We started the Phase 3 registrational trial of IBI-112 (IL23p19) in psoriasis in early 2023, based on its potential long-lasting efficacy advantage and convenient extended dosing intervals observed in Phase 2 trial;
- The multi-regional Phase 2b clinical study (led by UNION) of IBI-353 (PDE4), the oral therapy for treating psoriasis, reached positive topline results and we will enter into a Phase 2 study in China in 2023; and
- Furthermore, additional innovative molecules such as IBI-355 (CD40L) and IBI-356 (OX40L) will enter into first-in-human clinical studies in 2023 to explore other unmet medical needs in various types of autoimmune diseases.

In ophthalmology field, we will explore the potential differentiation of our ophthalmology candidates to meet the unmet medical needs:

- IBI-302 (VEGF/C) for the treatment of nAMD is currently in the Phase 2 clinical studies; and
- IBI-324 (VEGF-A/ANG-2) and IBI-333 (VEGF-C/VEGF-A) are in the Phase 1 stage.

As we keep advancing the robust late stage pipeline, we anticipate having at least 15 to 20 products launched in China market within four to five years. Our strong commercial platform capability and improved operational efficiency will ensure fully realized value of our robust pipeline and achieve long-term sound and sustainable business growth.

We continue to build Innovent Academy as an engine of global innovation power. In 2022, Innovent Academy has successfully delivered six high quality novel molecules into IND-enabling stage. In particular, Innovent Academy has built a fully-integrated and differentiated ADC proprietary technology platform, which will gradually deliver next-generation ADC candidates into the clinical development stage to further enrich our long-term pipeline.

We endeavor to enhance our R&D platform to support our world-class R&D center by leveraging profound know-how in immunology, cancer biology and antibody engineering, with a focus on global innovation and cutting-edge technology extension.

Chairman's Statement

We will continually endeavor for global innovation and globalization of our R&D pipeline step by step. We deploy scientific and efficient approaches to early stage clinical development of innovative pipeline with global potentials, such as PD-1/IL-2 in the IO field, VEGF bispecific antibodies in ophthalmology field, and ADC clusters. Our strong and professional product development team will gradually progress more innovative molecules into global clinical development to generate attractive pipeline development return.

We further expanded the number of innovative and in-depth strategic collaborations with international pharmaceutical companies in 2022, including Eli Lilly, Sanofi and LG Chem. Our antibody drug bevacizumab injection (product name in Indonesia: Bevagen®) was also launched in Indonesia, becoming the first Chinese antibody drug commercialized that will be produced locally in the Southeast Asia markets.

We have a total of 60,000L GMP certified production capacity in use, mostly consisted of large-scale stainless-steel bioreactors, which will support our pipeline expansion plan and provide cost advantage of our antibody drugs to further strengthen our market competitiveness.

Last but not least, amid challenging macro and capital market environments, we are in a healthy financial position with about RMB9,166.0 million (equivalent to over US$1.3 billion) cash and short-term financial assets as of December 31, 2022, that will put us in an advantageous position among the industry and allows us to focus on the long-term strategical goals of sustainable development and global innovation.

Thank you again for your support for Innovent. Through ten years of efforts and dedication, we have transformed to a leading biopharmaceutical company in China and established a fully-integrated platform possessing comprehensive capabilities in R&D, CMC and commercialization, supported by a healthy financial position. Looking ahead, Innovent will strive to achieve our strategic goals of sustainable growth and global innovation, through further expansion of commercial portfolio, improvement of operational efficiency, and innovation through advanced R&D platform for the global market. We will uphold the vision of 'to become a global premier biopharmaceutical company' and create sustainable value for our patients, employees, shareholders and the society.

Dr. De-Chao Michael Yu
Chairman of the Board, Executive Director and Chief Executive Officer

Financial Highlights

Non-IFRS measure[1]

Year Ended 31 December 2022 Compared to Year Ended 31 December 2021

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Revenue from contracts with customers	**4,556,380**	4,269,729
Cost of sales	**(874,080)**	(452,106)
Gross profit	**3,682,300**	3,817,623
Other income	**279,735**	196,881
Other gains and losses	**22,286**	125,966
Research and development expenses	**(2,664,708)**	(2,118,709)
Administrative and other expenses	**(641,812)**	(636,836)
Selling and marketing expenses	**(2,578,373)**	(2,544,779)
Royalties and other related payments	**(450,763)**	(719,077)
Finance costs	**(101,698)**	(62,464)
Loss before tax	**(2,453,033)**	(1,941,395)
Income tax expense	**(8,801)**	(87,038)
Adjusted loss for the year	**(2,461,834)**	(2,028,433)
Other comprehensive expense:		
Items that will not be reclassified to profit or loss		
Fair value loss on investment in equity instruments at fair value through other comprehensive income	**(876)**	(120,009)
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(20,446)**	1,995
Other comprehensive expense for the year, net of income tax	**(21,322)**	(118,014)
Adjusted total comprehensive expense for the year	**(2,483,156)**	(2,146,447)
Added:		
Share-based compensation expenses	**(469,490)**	(501,572)
Net foreign exchange gains/(losses)	**752,054**	(198,750)
Total comprehensive expense for the year	**(2,200,592)**	(2,846,769)

[1] We adopted non-IFRS measures in order to more clearly illustrate our 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 year to year and company to company to the extent applicable. Non-IFRS measures are not financial measures defined under the IFRS, and represent corresponding financial measures under IFRS excluding the effect brought by certain non-cash items, such as (a) share-based compensation expenses; and (b) net foreign exchange gains or losses. For the calculation and reconciliation of these non-IFRS measures, please refer to "Management Discussion and Analysis – Financial Review – 10. Non-IFRS Measure".

Financial Highlights

Non-IFRS Measures:

- **Total revenue** was RMB4,556.4 million for the year ended 31 December 2022, representing an increase of 6.7% from RMB4,269.7 million for the year ended 31 December 2021. Product revenue increased by 3.4% to RMB4,139.1 million for the year ended 31 December 2022, compared to RMB4,001.1 million for the year ended 31 December 2021. The growth was driven by continuously fast ramp-up of product sales volume, launch of new products, as well as increasingly higher revenue contribution of new products. However, products' further growth were partially impacted by the complex and changing COVID situations and price deduction of TYVYT® (sintilimab injection) in the NRDL during the year 2022.

- **Gross profit margin** of product sales was 78.9% for the year ended 31 December 2022, representing a decrease of 9.8% as compared with 88.7% for the year ended 31 December 2021. The manufacturing efficiency of major products was further improved during the year 2022, while the margin change was mainly due to lower gross profit margin booked for newly collaborated products, increased proportion of biosimilar products with relatively lower gross profit margin and unit price reduction of TYVYT® (sintilimab injection).

- **R&D expenses** increased by RMB546.0 million from RMB2,118.7 million for the year ended 31 December 2021 to RMB2,664.7 million for the year ended 31 December 2022. The steadily growing R&D expenses were mainly spent on clinical trials of late-stage and prioritized assets from our robust pipeline, the exploration of early stage assets as well as pre-clinical research.

- **Selling and marketing expenses** were RMB2,578.4 million, or 56.6% of total revenue, or 62.3% of product revenue for the year ended 31 December 2022, as compared with RMB2,544.8 million, or 59.6% of total revenue, or 63.6% of product revenue for the year ended 31 December 2021. During 2022, the Company has been developing a more sustainable and healthier commercial management model to establish a more agile and leaner organization with systematic and scientific management, which could further increase the output and improve efficiency for more sustainable long-term growth. The ratio of selling and marketing expenses to product revenue decreased from 66.7% for the six months ended 30 June 2022 to 58.0% for the six months ended 31 December 2022.

- **Loss for the year** was RMB2,461.8 million for the year ended 31 December 2022, representing an increase of RMB433.4 million from RMB2,028.4 million for the year ended 31 December 2021, primarily due to continuous investment in R&D.

IFRS Measures:

- **Loss for the year** was RMB2,179.3 million for the year ended 31 December 2022, representing a decrease of 20.1% from RMB2,728.8 million for the year ended 31 December 2021. The decrease was primarily due to the net foreign exchange gains, partially offset by the continuous investment in R&D.

Business Highlights

During the year ended 31 December 2022, the Company has continually achieved significant milestones and operated at a more sustainable and healthier business model with adherence to the long-term strategy of global innovation as follows:

We generated product revenue of RMB4,139.1 million for the year ended 31 December 2022, an increase of 3.4% compared to RMB4,001.1 million in the same period of prior year. Despite the impact of COVID situations and the unit price change of TYVYT® (sintilimab injection) in 2022, the growth was driven by fast ramp-up of product sales volume, continuous launch and higher contribution from new products.

During the Reporting Period, the Company has actively explored a more sustainable and healthier commercial management model, aiming to improve its operational efficiency while expanding its business scale. The Company believes that healthy and efficient commercial operation will better support the Company's commercialization goals and enable us to achieve long-term sustainable business development.

We attained a series of regulatory approvals during the Reporting Period, to further expand our commercial product portfolio and delicated integrated solutions to more complex patient population in broader territories. During the Reporting Period:

- We expanded our commercial product portfolio from six to eight products:

  In March 2022, Cyramza® (ramucirumab) was approved by the NMPA as 2L treatment in patients with advanced or metastatic GC. In September 2022, Cyramza® (ramucirumab) was approved by the NMPA for the treatment of patients with HCC (also known as liver cancer), who have an alpha fetoprotein of ≥400 ng/mL and have been treated with sorafenib.

  In September 2022, Retsevmo® (selpercatinib) was approved by the NMPA for the treatment of adult patients with locally advanced or metastatic NSCLC with a RET gene fusion, adult and pediatric patients at 12 years of age and older with advanced or metastatic MTC with a RET mutation who require systemic therapy, and adult and pediatric patients at 12 years of age and older with advanced or metastatic TC with a RET gene fusion who require systemic therapy and who are radioactive iodine-refractory (if radioactive iodine is appropriate).

- We expanded new indications and new territories for approved products:

  TYVYT® (sintilimab injection) was approved by the NMPA for two additional indications including 1L ESCC and 1L GC, enabling TYVYT® (sintilimab injection) to be the domestically first innovative PD-1 inhibitor for the 1L treatment of five major types of cancer consisting of 1L non-squamous, 1L squamous NSCLC, 1L HCC, 1L ESCC and 1L GC.

  In January 2022, the Drug Office of Hong Kong Department of Health approved Pemazyre® (pemigatinib) for the treatment of adults with previously treated, unresectable locally advanced or metastatic CCA with a FGFR2 fusion or rearrangement.

  In March 2022, the NMPA approved BYVASDA® (bevacizumab injection) for the treatment of epithelial ovarian, fallopian tube, and primary peritoneal cancer ("OC") and cervical cancer ("CC"), two of the most common gynecology cancers in China.

  In April 2022, the NMPA approved Pemazyre® (pemigatinib) for the treatment of adults with locally advanced or metastatic CCA with a FGFR2 fusion or rearrangement as confirmed by a validated diagnostic test that have progressed after at least one prior line of systemic therapy.

  In June 2022, the Indonesian Food and Drugs Authority (the BPOM) approved Bevagen® (local trademark of BYVASDA® (bevacizumab injection) in Indonesia) for five indications including mCRC, locally recurrent or mTNBC, advanced, metastatic, or recurrent NSCLC, OC and CC.

  In June 2022, the NMPA approved SULINNO® (adalimumab injection) for the treatment of adult Crohn's disease and pediatric Crohn's disease.

We kept the clinical development progress for our late stage assets on track, with more regulatory submissions achieved, and multiple assets initiated or undergoing pivotal studies during the Reporting Period, including:

- Three NDAs for our novel assets were accepted by the NMPA including:

  IBI-306 (tafolecimab injection), an anti-PCSK-9 antibody. The NDA was accepted in June 2022 for the treatment of primary hypercholesterolemia (including HeFH and non-FH) and mixed dyslipidemia.

  IBI-326 (equecabtagene autoleucel injection), a fully human anti-BCMA CAR T-cell therapy. The NDA was accepted and granted priority review designation in June 2022 for the treatment of r/r MM.

  IBI-348 (olverembatinib), a novel BCR-ABL TKI. The NDA was accepted and granted priority review designation in July 2022 that will support the full approval of olverembatinib in patients with CML-CP who are resistant and/or intolerant of first- and second-generation TKIs.

Business Highlights

- Four new assets were advanced into pivotal or registrational trials including:

  IBI-362 (mazdutide), a GLP-1R and GCGR dual agonist. IBI-362 has shown good safety, robust weight loss efficacy, blood glucose lowering effect and multiple benefits in metabolic profile in the Phase 2 study in T2DM and the Phase 2 study in obesity; the Phase 3 clinical study of IBI-362 in obesity was initiated in November 2022 and the Phase 3 studies in T2DM were initiated in January 2023.

  IBI-351, a novel, orally active, potent $KRAS^{G12C}$ inhibitor. The data of Phase 1 study of IBI-351 in later lines of NSCLC and CRC were released at the ASCO 2022 Annual Meeting and the CSCO 2022 Annual Meeting, showing favorable safety and promising efficacy activity of IBI-351 monotherapy; the pivotal clinical study of IBI-351 in later lines of NSCLC was initiated in 2022.

  IBI-344 (taletrectinib), a novel next-generation ROS1/NRK TKI. The updated data of Phase 2 study of IBI-344 in ROS1 positive NSCLC were released at the ASCO 2022 Annual Meeting, showing potential best-in-class potency as next generation ROS1 TKI; the pivotal clinical study of IBI-344 was initiated in 2022.

  IBI-126 (tusamitamab ravtansine), a potential first-in-class ADC targeting CEACAM5 at global Phase 3 stage for 2L NSCLC. We entered into strategic collaboration with Sanofi in August 2022 for developing and exclusively commercializing IBI-126 in multiple oncology-based indications in China.

We achieved promising preliminary data readout for potential high-value Phase 1 and 2 stage novel assets, such as:

- IBI-110, a novel anti-LAG3 monoclonal antibody. The data of Phase 1a/1b dose-escalation study and Phase 1b studies were released at the ASCO Annual Meeting 2022, showing encouraging safety profile and preliminary efficacy signal of IBI-110 in combination with sintilimab and chemotherapy for the treatment of 1L sq NSCLC and 1L GC; The updated data of Phase 1b study of IBI-110 for the treatment of 1L sq NSCLC were released at the 2022 ESMO-IO Annual Congress.

- IBI-939, a novel anti-TIGIT monoclonal antibody. The data of Phase 1 study was released at the 2022 ESMO-IO Annual Congress, showing favorable safety and preliminary positive efficacy profile of IBI-939 in combination with sintilimab injection for the treatment of 1L NSCLC (PD-L1 TPS ≥50.0%).

- IBI-351, a novel, orally active, potent $KRAS^{G12C}$ inhibitor. The data of Phase 1 study of IBI-351 in later lines of NSCLC and CRC were released at the ASCO 2022 Annual Meeting, showing favorable safety and promising efficacy activity of IBI-351 monotherapy.

- IBI-188, a fully human anti-CD47 monoclonal antibody. The preliminary data of the Phase 1b clinical study of IBI-188 in combination with azacitidine for the treatment of 1L higher risk MDS was released at the ASH 2022 Annual Meeting.

- IBI-362 (mazdutide), a GLP-1R/GCGR dual agonist. The primary endpoint was met in a randomized, double-blind, placebo-controlled Phase 2 clinical study of IBI-362 (up to 6.0mg) in Chinese participants with overweight or obesity in June 2022.

- IBI-362 (mazdutide). The primary endpoint was met in a multi-center, randomized, double-blind, placebo and dulaglutide-controlled Phase 2 study for IBI-362 (up to 6.0mg) in Chinese patients with T2DM in July 2022.

- IBI-362 (mazdutide). The results of higher-dose cohorts in the Phase 1 clinical study of mazdutide (9.0mg, 10.0mg) in overweight or obese Chinese participants were released at the ENDO 2022 Annual Meeting. Based on the encouraging data, the Phase 2 clinical study of higher-dose IBI-362 was initiated in August 2022.

- IBI-112 (picankibart), a recombinant anti-IL23p19 antibody. The primary endpoint was met in the Phase 2 study of IBI-112 in Chinese patients with moderate-to-severe plaque psoriasis in August 2022. The Phase 3 clinical study (CLEAR) of IBI-112 in Chinese patients with moderate-to-severe plaque psoriasis in February 2023.

During the Reporting Period, we advanced multiple innovative molecules with differentiated clinical potential into first-in-human study in provision of long term pipeline growth, such as IBI-363 (PD-1/IL-2), IBI-389 (CLDN18.2/CD3), IBI-343 (CLDN18.2 ADC) in oncology area, and IBI-311 (IGF-1R), IBI-324 (vascular endothelium growth factor ("**VEGF**")-A/ANG-2), IBI-333 (VEGF-A/VEGF-C) and IBI-353 (PDE4) in non-oncology area.

Other major business updates during the Reporting Period include:

- In March 2022, we entered into expanded strategic partnership with Lilly for the sole commercialization right of Cyramza® (ramucirumab) and Retsevmo® (selpercatinib) in mainland China, and right of first negotiation for potential future commercialization of pirtobrutinib (BTK inhibitor) in mainland China.

- In June 2022, we appointed Mr. Gary Zieziula as an independent non-executive Director of the Board and a member of the Audit Committee and the strategy committee of the Company. Mr. Zieziula has over 40 years of experience building and guiding strong, sustainable sales and operations organizations across Europe and North America in several MNCs, which will contribute to the implementation of the Company's strategic objective and mission of innovation through globalization.

Business Highlights

- In August 2022, we and Sanofi entered into a strategic collaboration to bring innovative medicines to patients in China with difficult-to-treat cancers. Both companies are committed to accelerating the development and commercialization of two Sanofi key clinical stage oncology assets: Phase III SAR408701 (tusamitamab ravtansine; anti-CEACAM5 ADC) and Phase II SAR444245 (non-alpha IL-2), combining with sintilimab, the leading checkpoint inhibitor in China. In addition to the collaboration and license agreement, Sanofi invested EUR300.0 million in the Company through the subscription of new ordinary Shares. Subject to mutual agreement of both parties in the future, Sanofi will have the right to acquire additional ordinary Shares for EUR300.0 million.

- In October 2022, we reobtained the rights of sintilimab injection for geographies outside of China from Lilly.

- In December 2022, we and LG Chem entered into a strategic collaboration for Tigulixostat, a late-stage novel non-purine XOI for the chronic management of hyperuricemia in patients with gout disease. LG Chem initiated multi-regional global Phase 3 clinical trials for Tigulixostat in the fourth quarter of 2022.

We continued to make significant progress after the end of the Reporting Period and up to the date of this annual report, including the following major milestones and achievements:

- In January 2023, we announced the inclusion in the NRDL (2022 version) of TYVYT® (sintilimab injection) in two new indications (negotiation list), olverematinib for the first listing (negotiation list), and BYVASDA® (bevacizumab injection), HALPRYZA® (rituximab injection) and SULINNO® (adalimumab injection) in multiple new indications (general list). TYVYT® (sintilimab injection) is the first and the only PD-1 inhibitor for GC in the NRDL, as well as the only PD-1 inhibitor for the 1L treatment of five high-incidence cancer types in the NRDL. Olverembatinib, as an exclusive third generation BCR-ABL inhibitor, has been included in the NRDL for the first time, filling the gap in the treatment of CML patients harboring the T315I mutation. In addition, all the new indications of BYVASDA® (bevacizumab injection), HALPRYZA® (rituximab injection) and SULINNO® (adalimumab injection) have been included in the updated NRDL, expanding the reimbursement coverage and benefiting broader patient groups. The updated NRDL officially took effect since 1 March 2023.

- In January 2023, the NDA of IBI-376 (PI3Kδ inhibitor) has been accepted and granted priority review designation by the NMPA for the treatment of r/r FL who have received at least two previous systemic therapies.

- In January 2023, the NMPA has granted BTD for IBI-351 for the treatment of advanced NSCLC patients with $KRAS^{G12C}$ mutation that have received at least one prior line of systemic therapy.

- In January 2023, the Phase 3 clinical study (GLORY-1) of IBI-362 (mazdutide) in Chinese adults with overweight or obesity has completed enrollment.

Business Highlights

- In January 2023, IBI-362 (mazdutide) has completed the first patient dose in the Phase 3 clinical study (DREAMS-1) in Chinese patients with T2DM inadequately controlled by diet and exercise alone.
- In January 2023, IBI-362 (mazdutide) has completed the first patient dose in the Phase 3 clinical study (DREAMS-2) in Chinese patients with T2DM who have inadequate glycemic control with metformin monotherapy or combination therapy of metformin with SGLT2 inhibitors or sulfonylureas.
- In January 2023, our partner UNION announced positive topline results from the IASOS Phase 2b clinical study of oral orismilast (IBI-353) in adult patients with moderate to severe psoriasis.
- In February 2023, IBI-112 (picankibart) has completed the first patient dose in the Phase 3 clinical study (CLEAR) in patients with moderate-to-severe plaque psoriasis.
- In February 2023, IBI-311, a recombinant anti-IGF-1R monoclonal antibody, has completed the first patient dose in the Phase 2 clinical study in patients with TAO.
- In February 2023, IBI-333, a recombinant anti-VEGF-A and anti-VEGF-C bispecific fusion protein, has completed the first patient dose in the Phase 1 clinical study in patients with nAMD.

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

Overview

Innovent Biologics, Inc. is a biopharmaceutical company committed to developing and commercializing high-quality innovative therapeutics that are affordable to ordinary people. Founded in 2011 by Dr. De-Chao Michael Yu, we have instituted global quality standards in every aspect of our business operations, and have built a fully-integrated multi-functional biopharmaceutical platform consisting of research, CMC, clinical development and commercialization capabilities.

We have developed a rich pipeline covering a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, multi-specific antibodies, immuno-cytokine, cell engagers, ADCs, cell therapy and small molecules etc.), spanning multiple major therapeutic areas including oncology, cardiovascular and metabolism, autoimmune and ophthalmology diseases, that have promising clinical and commercial potential to address unmet medical needs.

2022 Review and Outlook: Building an Innovative Biopharmaceutical Company with Sustainable Growth and Comprehensive Capability

2022 was the first year for the Company's second decade of operations. Over ten years of development and growth, we have successfully transformed from a biotech company to a leading biopharmaceutical company in China. In the past year, despite challenges from macro headwinds and COVID, we have been taking the lead in the industry to strengthen the foundation for more sustainable growth by putting increased emphasis on technological innovation and efficiency improvements. By leveraging our integrated platform, we have achieved remarkable results in upgrading our commercial model, further developing our pipeline, enhancing the innovation of our R&D platform, as well as deepening our strategic collaborations.

Looking ahead, we will continue to strive to achieve our strategic goals of sustainable growth and global innovation over the next decade. To achieve, the Company will further expand the scale of the commercial portfolio, further improve operational efficiency, and bring forward novel medicines through our advanced R&D platform for the global market. We endeavor to establish ourselves as a distinctive biopharmaceutical firm with significant potential for growth and innovation, and ultimately ascend to become the leading biopharmaceutical enterprise in China as well as a premier biopharmaceutical company globally.

Commercialization: New Products Will Drive Continuous Growth; Improved Operational Efficiency under Upgraded Commercial System

During the Reporting Period, we expanded our commercial portfolio to a total of 8 products on market with the approval for marketing of Cyramza® (ramucirumab) and Retsevmo® (selpercatinib). Labels of the other marketed drugs were also further expanded with new indications and new territories: TYVYT® (sintilimab injection) was approved for two new indications (1L ESCC and 1L GC) and became the only PD-1 inhibitor approved for the 1L treatment of five high-incidence cancer types; Pemazyre® (pemigatinib) was approved for the 2L treatment of mCCA in mainland China and Hong Kong; BYVASDA® (bevacizumab injection) was approved for marketing in Indonesia, becoming the first Chinese antibody drug commercialized that will be produced locally in Southeast Asia markets.

In 2022, the Company recorded product sales revenue of RMB4,139.1 million, representing an increase of 3.4% compared with the prior year. During the year, the product sales growth was affected to some extent by the complex and changing condition of the pandemic in mainland China and the price reduction of TYVYT® (sintilimab injection) under the 2021 updated NRDL. However, the continuous ramp-up of product sales volume, along with higher revenue contribution from multiple new products, and improved operational efficiency and portfolio synergy, helped offset some of such impact and laid a good foundation for future growth of the commercial portfolio.

In the four years since the Company established its commercial function, we have established a leading position and brand franchise in the innovative biopharma industry, with a professional team of nearly 3,000 people, a commercial portfolio of eight high-quality drugs and a nationwide marketing access coverage. Meanwhile, as an industry pioneer, in 2022, we have proactively developed a more sustainable and healthier commercial management system, which will further improve operational efficiency and expand the scale of the business. In the past year, preliminary positive results were observed: the ratio of sales and marketing expenses (to total product revenue, under IFRS measure) was brought down from 65.5% in 2021 to 62.6% in 2022, and from 68.5% in the first half of 2022 to 56.9% in the second half of 2022, in particular. We believe that owning a strong and efficient commercial operation is crucial to support the Company's commercialization objectives and facilitate our long-term sustainable business growth.

Looking ahead, we believe 2023 will be a milestone year for continuous expansion and visible growth in the commercial portfolio. Two additional indications of TYVYT® (sintilimab injection), olverembatinib, and multiple additional indications of BYVASDA® (bevacizumab injection), HALPRYZA® (rituximab injection), and SULINNO® (adalimumab injection) were included in the updated NRDL, which will further expand the reimbursement coverage. Meanwhile, we expect three new assets/therapies, including equecabtagene autoleucel injection (BCMA CAR-T), tafolecimab injection (PCSK9) and parsaclisib (PI3Kδ) to be approved in 2023, bringing a more diversified commercial portfolio of over ten products.

Moreover, the Company's previous strategic positioning in certain non-oncology therapeutic areas is about to yield fruitful results, as several innovative non-oncology candidates with high differentiation and substantial market potential are anticipated to receive approvals or enter late-stage clinical development. We therefore will gradually establish our commercial presence in certain key chronic disease areas. We hope to build a strong product portfolio and brand franchise to provide long-term competitive advantage in such disease areas, and develop R&D and commercialization capabilities in both oncology and non-oncology areas to support more sustainable and diversified long-term growth for the company.

Pipeline Development: Expand the Boundary of Novel Oncology Therapies, Roll out Non-oncology High-potential Products

The Company has built a strong pipeline with over 30 innovative drug candidates, including over 20 in the oncology area and 10 in the non-oncology area. Of which, 8 products were approved, 3 assets are currently under review by the NMPA, 5 assets are in Phase 3 or pivotal clinical studies, and approximately 20 assets are in early Phase 1/2 clinical stage.

During the Reporting Period, the Company has kept up with the progress of clinical development and associated pipeline data readouts were on track, particularly:

Introduced novel modalities and therapies to expand the oncology pipeline: we have further expanded the extensive oncology pipeline through pursuit of novel targets and modalities, innovative mechanisms of action and combination therapy strategies.

- We submitted NDAs of two product candidates for the treatment of hematological malignancies. Equecabtagene autoleucel injection (BCMA CAR-T) will potentially be the first BCMA-targeted cell therapy to be approved in China, and the NDA of parsaclisib (PI3Kδ) was accepted and granted with priority review by the NMPA.

- We are pioneering the development of two targeted small molecule drugs for treatment of lung cancer, including IBI-351 ($KRAS^{G12C}$) and IBI-344 (ROS1/TRK), both in pivotal clinical studies and planned for NDA submissions by the end of 2023, which will further strengthen our franchise and portfolio synergy in lung cancer.

- We are actively exploring multiple high potential IO molecules in PoC or early-stage clinical trials, such as IBI-110 (LAG3), IBI-939 (TIGIT) and IBI-363 (PD-1/IL-2), with preliminary positive efficacy and safety data observed.

- We have established a fully-integrated and differentiated ADC proprietary technology platform, with IBI-343 (CLDN18.2 ADC) being the first to advance into a Phase 1 clinical trial in Australia in 2022 and a series of differentiated ADC molecules being advanced to clinical stage development going forward.

Strategically positioned in three major chronic diseases to accelerate the development of high-potential assets: in addition to oncology, we strategically focus our R&D effort towards several high-potential fields such as CVM diseases, autoimmune diseases and ophthalmology diseases, aiming to bring innovative medicines to address unmet patient needs, and improve quality of life for a wide range of patient populations.

- **High-potential innovative assets for multiple high-prevalence chronic diseases in CVM field**: We submitted the NDA for tafolecimab injection (PCSK-9) for the treatment of hyperlipidemia, which could potentially be the first domestic PCSK-9 monoclonal antibody to launch with a longer dosing interval advantage. We have achieved a robust data readout in Phase 2 clinical trials of IBI-362 (GLP-1R/GCGR) for the treatment of both obesity and diabetes, demonstrating its best-in-class potential in weight loss and glucose lowering, with favorable safety and metabolic benefits. IBI-362 (GLP-1R/GCGR) Phase 3 registrational clinical studies have been initiated for both obesity and diabetes. IBI-128 (XOI) global Phase 3 multi-regional clinical study for the treatment of hyperuricemia in gout patients has been initiated by our partner LG Chem at the end of 2022. We are responsible for the clinical development of IBI-128 in China and plan to start a Phase 3 clinical study by the end of 2023. IBI-311 (IGF-1R) for the treatment of TAO has rapidly advanced to a Phase 2 clinical study and is planned to start a Phase 3 registrational clinical study in 2023.

- **Capture differentiated clinical value in the field of autoimmune by fulfilling substantial unmet medical needs**: The Phase 2 data for IBI-112 (IL23p19) demonstrated its potential long-lasting efficacy advantage and convenient extended dosing intervals for psoriasis. The Phase 3 registrational clinical study started in early 2023. The multi-regional Phase 2b clinical study (led by UNION) of IBI-353 (PDE4), the oral therapy for treating psoriasis, reached positive topline results and we will enter a Phase 2 study in China in 2023. Furthermore, additional innovative autoimmune molecules such as IBI-355 (CD40L) and IBI-356 (OX40L) will enter first-in-human clinical studies in 2023 to explore other unmet medical needs in various types of autoimmune diseases.

- **Multiple differentiated bispecific antibodies in the field of ophthalmology**: IBI-302 (VEGF/C) for the treatment of nAMD is currently in the Phase 2 clinical studies, and IBI-324 (VEGF-A/ANG-2) and IBI-333 (VEGF-C/VEGF-A) are in the Phase 1 stage. We will explore the potential differentiation of our ophthalmology candidates versus existing therapy brought by their innovative mechanisms and molecule designs as bispecific antibodies.

R&D Platform: Strategic Collaborations Deepen Overall Strength of Innovation; Global Innovation Continues as Core Long-Term Strategy

During the Reporting Period, the Company continued to leverage its core competencies as a leading biopharmaceutical company in China possessing a comprehensive platform capability for R&D, manufacturing and commercialization. We further expanded the number of innovative and in-depth strategic collaborations with international pharmaceutical companies. Meanwhile, with global innovation as the long-term strategy, we continue to strengthen our capacity through the Innovent Academy with the aim to bring more innovative molecules to the global market.

- **Continue to build Innovent Academy as an engine of innovation power:** In 2022, Innovent Academy has successfully delivered six high-quality novel molecules into IND enabling stage, to fulfill our mid to long term growth objectives. In particular, Innovent Academy has built a fully-integrated and differentiated ADC proprietary technology platform, which will gradually deliver next-generation ADC candidates into the clinical development stage to further enrich our long-term pipeline. We endeavor to enhance our R&D platform to support our world-class R&D center by leveraging profound know-how in immunology, cancer biology and antibody engineering, with a focus on global innovation and cutting-edge technology extension. We will continually put forth our full efforts to improve drug research efficiency, drug discovery quality, as well as the steady translation of science into innovative molecules.

- **Deploy scientific and efficient approaches to early stage innovative pipeline development.** With adherence to the long-term strategy of global innovation and to ensure reasonable investment returns, we are exploring our early-to-mid stage pipeline with global potential in ongoing PoC studies, with several molecules in the IO and ophthalmology fields. In addition, we will further explore the early clinical development of other novel molecules with global potential, such as PD-1/IL-2, ADC clusters, etc. Our strong product development team of over 1000 professionals will gradually progress more innovative molecules into global clinical development to generate attractive pipeline development return.

- **Explore creative in-depth strategic cooperation models:** In 2022, we entered into an expanded strategic collaboration with Lilly to obtain the sole commercialization right of Cyramza® (ramucirumab) and Retsevmo® (selpercatinib) in mainland China, and the right of first negotiation for future commercialization of pirtobrutinib (BTK inhibitor) in mainland China. We also in-licensed Tigulixostat from LG Chem, which is a potential best-in-class late-stage non-purine XOI for the treatment of gout disease. Furthermore, we and Sanofi entered into a strategic collaboration to accelerate the development and potential access of innovative oncology medicines in China. In addition to the collaboration and license agreement, we received EUR300.0 million strategic equity investment from Sanofi through its subscription of new ordinary Shares at 20.0% price premium.

- **Launch antibody drug benefiting emerging markets:** In June 2022, BYVASDA® (bevacizumab injection, product name in Indonesia: Bevagen®) was approved in Indonesia, as the first Chinese antibody drug commercialized and will be produced locally in Southeast Asia markets.

Healthy financial position supplemented with additional cash from strategic investment by Sanofi. As of 31 December 2022, the Company had approximately RMB9,166.0 million (equivalent to over US$1.3 billion) cash on hand and short-term financial assets, including the equity investment of EUR300.0 million in cash received under the strategic collaboration agreement with Sanofi in August 2022. Our healthy financial position and consistently efficient capital allocation will enable us to focus on long-term sustainable strategic goals amid an especially challenging macro and capital market environment.

2022 is the first year of the Company's second decade for development. We have established a fully-integrated platform possessing comprehensive capabilities in R&D, CMC and commercialization, supported by a healthy financial position. In 2023, we will continue to make significant progress in commercial operations and key pipeline development as disclosed above. In the next decade, with the strategic vision of sustainable development and innovation, along with strong execution capabilities and an integrated platform, we are confident that we are on track to further expand and develop to become a global premier biopharmaceutical company, creating sustainable value for our patients, employees, society and Shareholders.

Pipeline Summary

Leveraging on the Company's fully-integrated multi-functional platform and strategic partnerships and collaborations, the Company has developed a robust pipeline of over 30 valuable assets. The Company's pipeline assets cover a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, bispecific antibodies, fusion proteins, cell engagers, ADCs, CAR-T and small molecules), span multiple major therapeutic areas including oncology, metabolic, autoimmunity and ophthalmology diseases, and promise tremendous clinical and commercial potential as monotherapies or combination therapies to address unmet medical needs.

The following charts summarize the therapeutic targets, therapeutic areas, commercial rights and development status of our pipeline assets as of the date of this annual report.

Products	Target(s)	Modality	Therapeutic Area	Rights	Pre-clinical	IND	Phase 1	Phase 1b/2	Pivotal Phase 2 / Phase 3	NDA	Launched
TYVYT® (sintilimab injection)	PD-1	Monoclonal antibody	Oncology	Worldwide	Approved : 1L nsqNSCLC, 1L sqNSCLC, 1L HCC, 1L GC, 1L ESCC, cHL; NDA submitted: 2L EGFRm NSCLC						
BYVASDA® (bevacizumab injection)	VEGF-A	Monoclonal antibody	Oncology	Worldwide	Approved: NSCLC, mCRC, HCC, rGBM, r/r CC, OC						
HALPRYZA® (rituximab injection)	CD20	Monoclonal antibody	Oncology	Worldwide	Approved: nHL, CLL						
Pemazyre® (pemigatinib)	FGFR1/2/3	Small molecule	Oncology	Mainland China, HK, Taiwan, Macau	Approved: 2L CCA						
Olverembatinib (BCR/ABL TKI)	BCR-ABL/KIT	Small molecule	Oncology	Mainland China, HK, Taiwan, Macau	Approved: 2L TKI-resistant CML						
Cyramza® (ramucirumab)	VEGFR-2	Monoclonal antibody	Oncology	Mainland China	Approved: 2L GC, 2L HCC						
Retsevmo® (selpercatinib)	RET	Small molecule	Oncology	Mainland China	Approved: RETm NSCLC / TC/MTC						
IBI326 (equecabtagene autoleucel)	BCMA CAR-T	Cell therapy	Oncology	Mainland China, HK, Taiwan, Macau	Submitted: r/r MM						
IBI376 (Parsaclisib)	PI3K δ	Small molecule	Oncology	Mainland China, HK, Taiwan, Macau	Submitted: r/r FL						
IBI351	KRAS ^{G12C}	Small molecule	Oncology	Mainland China, HK, Taiwan, Macau	2L KRAS+ NSCLC						
					1L KRAS+ NSCLC / 3L CRC						
IBI344 (Taletrectinib)	ROS1/TRK	Small molecule	Oncology	Mainland China, HK, Taiwan, Macau	2L ROS1+ NSCLC						
IBI126 (Tusamitamab)	CEACAM5	Antibody drug conjugate	Oncology	Mainland China	2L CEACAM5+ NSCLC						
IBI110	LAG-3	Monoclonal antibody	Oncology	Worldwide	1L sqNSCLC; 1L GC; 1L HCC						
IBI939	TIGIT	Monoclonal antibody	Oncology	Worldwide	1L NSCLC (PD-L1 TPS>=50%)						
IBI310	CTLA-4	Monoclonal antibody	Oncology	Worldwide	Multiple cancer types						
IBI323	LAG3/PD-L1	Bispecific antibody	Oncology	Worldwide	CRC						
IBI188	CD47	Monoclonal antibody	Oncology	Worldwide	MDS						
IBI322	PD-L1/CD47	Bispecific antibody	Oncology	Worldwide	Lymphoma						
IBI363	PD-1/IL-2	Bispecific antibody	Oncology	Worldwide	Advanced malignancies						
IBI127	IL-2	Immuno cytokine	Oncology	Mainland China	Advanced malignancies						
IBI343	CLDN18.2 ADC	Antibody drug conjugate	Oncology	Worldwide	Advanced malignancies						
IBI389	CLDN18.2/CD3	Bispecific antibody	Oncology	Worldwide	Advanced malignancies						
IBI360	CLDN18.2	Monoclonal antibody	Oncology	Worldwide	Advanced malignancies						
IBI345	CLDN18.2 Modular CAR-T	Cell therapy	Oncology	Worldwide	Advanced malignancies						
IBI354	HER2 ADC	Antibody drug conjugate	Oncology	Worldwide	Advanced malignancies						

NSCLC: non small cell lung cancer; HCC: hepatocellular carcinoma; GC: gastric cancer; ESCC: esophageal squamous cell carcinoma; GBM: glioblastoma; CC: cervical cancer; OC: ovarian cancer; cHL: classic Hodgkin lymphoma; CML: chronic myeloid leukemia; CLL: chronic lymphocytic leukemia; CCA: cholangiocarcinoma; FL: follicular lymphoma; TC: thyroid cancer ; MTC: medullary thyroid cancer; CRC: colorectal cancer; MDS: myelodysplastic syndrome; MM: multiple myeloma

Listed drugs Biologics Small molecules

Products	Target(s)	Modality	Therapeutic Area	Rights	Pre-clinical	IND	Phase 1	Phase 1b/2	Pivotal Phase 2/ Phase 3	NDA	Launched
SULINNO® (adalimumab)	TNF-α	Monoclonal antibody	Autoimmune	Worldwide	Approved: RA, AS, PsO, Pediatric plaque PsO, PJIA, Uveitis , CD, Pediatric CD						
IBI306	PCSK-9	Monoclonal antibody	Metabolic	Worldwide	Submitted: non-FH; HeFH						
IBI362	GLP-1R/GCGR	Polypeptide	Metabolic	Mainland China, HK, Taiwan, Macau	Obesity (6mg)						
					T2DM (6mg)						
					Obesity (9mg)						
IIBI112	IL-23 p19	Monoclonal antibody	Autoimmune	Worldwide	Pso						
					UC						
IBI311	IGF-1R	Monoclonal antibody	Ophthalmology	Worldwide	TAO						
IBI302	VEGF/Complement	Fusion protein	Ophthalmology	Worldwide	nAMD						
					nAMD (High concentration)						
IBI353	PDE4	Small molecule	Autoimmune	Mainland China, HK, Taiwan, Macau	Pso						
IBI324	VEGF-A/ANG2	Fusion protein	Ophthalmology	Worldwide	DME						
IBI333	VEGF-A/VEGF-C	Fusion protein	Ophthalmology	Worldwide	nAMD						
IBI128	XOI	Small molecule	Metabolic	Mainland China, HK, Taiwan, Macau	Gout with Hyperuricemia						

AS: ankylosing spondylitis; RA: rheumatoid arthritis; PsA: psoriatic arthritis; PsO: psoriasis; CD: Crohn's disease; PIJA: polyarticular juvenile idiopathic arthritis
HeFH: heterozygous familial hypercholesterolemia; Non-FH: non-familial hypercholesterolemia; TAO: thyroid associated ophthalmopathy; DME:Diabetic Macular Edema;
nAMD: Neovascular Age-related Macular Degeneration

Listed drugs Biologics Small molecules

Business Review

Commercial Stage Products

During the Reporting Period, we have successfully expanded our commercial portfolio into eight products spanning multiple therapeutic areas with strong synergies to provide integrated patient solutions. The commercial portfolio includes: TYVYT® (sintilimab injection), BYVASDA® (bevacizumab injection), SULINNO® (adalimumab injection), HALPRYZA® (rituximab injection), Pemazyre® (pemigatinib), olverematinib, Cyramza® (ramucirumab) and Retsevmo® (selpercatinib).

Milestones and Achievements during the Reporting Period and Post-Reporting Period (Expected)

TYVYT® (sintilimab injection): *an innovative fully human anti-PD-1 monoclonal antibody co-developed with Lilly; the National Major New Drugs Innovation and Development Program*

Approved and included in NRDL for six indications including lung cancer, liver cancer, gastric cancer, esophageal cancer, Hodgkin's lymphoma, etc.

- In June 2022, TYVYT® (sintilimab injection) was approved for two additional indications including 1L GC and 1L ESCC.
- In January 2023, TYVYT® (sintilimab injection) was included in the NRDL (2022 version) for two additional indications including 1L GC and 1L ESCC. TYVYT® (sintilimab injection) is the first and the only PD-1 inhibitor for GC in the NRDL, as well as the only PD-1 inhibitor for the 1L treatment of five high-incidence cancer types (squamous NSCLC, non-squamous NSCLC, HCC, GC, ESCC) in the NRDL.
- The sNDA of TYVYT® (sintilimab injection) for EGFR-mutated non-squamous NSCLC after EGFR-TKI therapy is under the regulatory review.
- We continuously carry out clinical development programs for TYVYT® (sintilimab injection), as an immunotherapy backbone, in multiple clinical studies in combination with other novel molecules to overcome unmet medical needs to be addressed for cancer treatment.

BYVASDA® (bevacizumab injection)*, a fully-human anti-VEGF monoclonal antibody; the National Major New Drugs Innovation and Development Program*

Approved in China for seven indications including advanced NSCLC, mCRC, adult recurrent glioblastoma, advanced or unresectable HCC, epithelial ovarian, fallopian tube, or primary OC and CC.

- In March 2022, the NMPA approved two new indications for BYVASDA® (bevacizumab injection) for OC and CC, the most common gynecology cancers in China.
- In June 2022, the Indonesian Food and Drugs Authority (the BPOM) has approved Bevagen® (local trademark of BYVASDA® (bevacizumab injection) in Indonesia) for five indications including mCRC, mTNBC, mNSCLC, OC, and CC. Bevagen® was the first Chinese antibody drug marketed and potentially will be locally produced in Southeast Asia markets.
- In January 2023, a total of seven indications of BYVASDA® (bevacizumab injection) have been included in the updated NRDL (including three new indications for OC, CC and as a new drug in combination with sintilimab for HCC).

HALPRYZA® (rituximab injection): *a recombinant chimeric murine/human anti-CD20 monoclonal antibody co-developed with Lilly; the National Major New Drugs Innovation and Development Program;*

Approved in China for multiple blood tumors treatment including non-Hodgkin's lymphoma and chronic lymphocytic leukemia.

- In January 2023, all approved indications of HALPRYZA® (rituximab injection) have been included in the updated NRDL (including two new indications, for the maintenance therapy for previously untreated follicular lymphoma and the treatment of chronic lymphocytic leukemia).

SULINNO® (adalimumab injection): *a fully-human anti-TNF-α monoclonal antibody; accepted into the National Major New Drugs Innovation and Development Program;*

Approved in China for eight indications including rheumatoid arthritis, ankylosing spondylitis, psoriasis, uveitis, polyarticular juvenile idiopathic arthritis, pediatric plaque psoriasis, Crohn's disease and pediatric Crohn's disease.

- In June 2022, the NMPA approved two new indications for SULINNO® (adalimumab injection) for the treatment of adult Crohn's disease and pediatric Crohn's disease.

- In January 2023, a total of eight approved indications of SULINNO® (adalimumab injection) have been included in the NRDL (including two new indications for Crohn's disease and pediatric Crohn's disease).

Pemazyre® (pemigatinib): *a selective FGFR inhibitor discovered by Incyte and licensed to the Company for development and commercialization in Greater China;*

Approved in markets of mainland China, Taiwan and Hong Kong for the treatment of adults with previously treated, unresectable locally advanced or metastatic cholangiocarcinoma with a FGFR2 fusion or rearrangement.

- In January 2022, the Drug Office of Hong Kong Department of Health approved Pemazyre® (pemigatinib) for the treatment of adults with locally advanced or metastatic cholangiocarcinoma with a FGFR2 fusion or rearrangement that have progressed after at least one prior line of systemic therapy.

- In April 2022, the NMPA approved Pemazyre® (pemigatinib) for the treatment of adults with locally advanced or metastatic cholangiocarcinoma with a FGFR2 fusion or rearrangement as confirmed by a validated diagnostic test that have progressed after at least one prior line of systemic therapy.

- In June 2022, the updated data from a pivotal Phase 2 study of pemigatinib in mCCA, including updated ORR and median PFS, were published at the ASCO Annual Meeting 2022.

Olverembatinib: *a novel BCR-ABL TKI co-developed and co-commercialized with Ascentage Pharma Group International; the National Major New Drugs Innovation and Development Program;*

Approved in China for the treatment of adult patients with TKI-resistant CML-CP or CML-AP harboring the T315I mutation as confirmed by a validated diagnostic test.

- In June 2022, the data of a Phase 1b/2 study for olverembatinib in patients with TKI-resistant succinate dehydrogenase- (SDH-) deficient gastrointestinal stromal tumor (GIST) were published at the ASCO Annual Meeting 2022. Olverembatinib was well tolerated and showed antitumor activity.

- In July 2022, the NMPA has accepted and granted priority review designation to the NDA that will support the full approval of olverembatinib in patients with CML-CP who are resistant and/or intolerant of first- and second-generation TKIs.

- In January 2023, olverembatinib has been included in the NRDL for the first time for adult patients with T315I-mutant CML-CP and CML-AP.

Cyramza® (ramucirumab): *a VEGF receptor 2 antagonist that binds specifically to VEGFR-2, thereby blocking the binding of the receptor ligands (VEGF-A, VEGF-C, and VEGF-D) – which may slow tumor growth. Cyramza® (ramucirumab) was discovered by Lilly and licensed to the Company for commercialization in mainland China.*

In the U.S., Cyramza® (ramucirumab) is the first U.S. FDA approved treatment for patients with advanced GC after prior chemotherapy and the first FDA approved biomarker-driven therapy in patients with HCC.

- In March 2022, we entered into expanded strategic partnership with Lilly for the sole commercialization right of Cyramza® (ramucirumab) and Retsevmo® (selpercatinib) in mainland China, and the right of first negotiation for potential future commercialization of pirtobrutinib (BTK inhibitor) in mainland China.

- In March 2022, Cyramza® (ramucirumab) received approval by the NMPA for the treatment of advanced or metastatic gastric or gastro-esophageal junction adenocarcinoma with disease progression on or after prior fluoropyrimidine-or platinum-containing chemotherapy in combination with paclitaxel.

- In September 2022, Cyramza® (ramucirumab) received approval by the NMPA for the treatment of patients with HCC who have an alpha-fetoprotein (AFP) of ≥400 ng/mL and have been treated with sorafenib as a single agent.

Retsevmo® (selpercatinib): *a selective and potent RET kinase inhibitor that was discovered by Lilly and licensed to the Company for commercialization in mainland China.*

In the U.S., selpercatinib (under the U.S. trade name Retevmo®) was approved by the U.S. FDA in May 2020 as the first treatment for adult patients with RET fusion-positive metastatic NSCLC and adult and pediatric patients aged 12 years and older with advanced or metastatic MTC carrying a RET mutation who require systemic therapy, as well as adult and pediatric patients aged 12 years and older with RET fusion-positive advanced or metastatic TC who require systemic therapy and refractory to radioiodine therapy, if applicable. In September 2022, the U.S. FDA approved selpercatinib as the first and only RET inhibitor for an unlimited number of cancer types in adult patients with advanced or metastatic solid tumors with RET gene fusions who are receiving systemic therapy or who subsequently develop disease progression without satisfactory alternative treatment options.

- In March 2022, we entered into expanded strategic partnership with Lilly for the sole commercialization right of Cyramza® (ramucirumab) and Retsevmo® (selpercatinib) in mainland China, and the right of first negotiation for future commercialization of pirtobrutinib (BTK inhibitor) in mainland China.

- In September 2022, Retsevmo® (selpercatinib) received NDA approval by the NMPA for RET-altered NSCLC, MTC and TC.

NDA and Late Stage Drug Candidates

We have three candidates undergoing NDA review process including IBI-306 (PCSK9), IBI-326 (BCMA CAR-T), IBI-376 (PI3Kδ) and multiple candidates under registrational or pivotal clinical studies, providing sustainable growth prospects for our business and benefiting more stratified and complex patient groups.

NDA and Late Stage Drug Candidates – Oncology

Milestones and Achievements during the Reporting Period and Post-Reporting Period (Expected)

IBI-326 (equecabtagene autoleucel): *a fully-human BCMA CAR T-cell therapy, co-developed with IASO Bio.*

- In June 2022, the updated data from the Phase 1/2 study of IBI-326 for the treatment of r/r MM was presented in an oral presentation at the 27th European Hematology Association.

- In June 2022, the NMPA accepted and granted priority review designation to the NDA for IBI-326 for the treatment of r/r MM. It is expected to potentially be the first BCMA CAR-T therapy approved in China.

IBI-376 (parsaclisib): *a potent, highly selective, next-generation investigational novel oral inhibitor of PI3Kδ of the Company in-licensed from Incyte for development and commercialization in Greater China.*

- In June 2022, the updated data of the pivotal Phase 2 study of IBI-376 for the treatment of r/r FL in China was presented at the ASCO Annual Meeting 2022.

- In January 2023, the NDA of IBI-376 for the treatment of r/r FL has been accepted by the NMPA and granted priority review designation.

IBI-351: *a novel, orally active, potent KRAS^{G12C} inhibitor in-licensed from GenFleet Therapeutics (Shanghai) Inc.*

- In June 2022, the Phase 1 dose-escalation study result of IBI-351 as monotherapy were released at the ASCO Annual Meeting 2022. Favorable safety and tolerability and promising antitumor activity of IBI-351 monotherapy were observed in previously-treated advanced NSCLC and colorectal cancer harboring KRAS^{G12C} mutation.
- In the second half of 2022, we initiated Phase 1b studies for IBI-351 combination therapy for KRAS^{G12C} muted cancers.
- In the second half of 2022, we initiated the pivotal Phase 2 study for IBI-351 for the treatment of 2L KRAS^{G12C} muted NSCLC.
- By the end of 2023, we plan to submit the NDA of IBI-351 for the treatment of 2L KRAS^{G12C} muted NSCLC in China.

IBI-344 (taletrectinib): *a novel next-generation ROS1/TRK tyrosine kinase inhibitor in-licensed from AnHeart Therapeutics Co., Ltd. for the co-development and commercialization in Greater China, AnHear R&D code: AB-106.*

- In February 2022, the NMPA granted BTD to taletrectinib for the treatment of patients with ROS1 fusion positive NSCLC.
- In June 2022, the updated clinical data from the Phase 2 clinical study (TRUST-I) of taletrectinib in treating patients with ROS1 fusion positive NSCLC was presented at the ASCO Annual Meeting 2022.
- In August 2022, the U.S. FDA granted BTD to taletrectinib for the treatment of patients with ROS1 fusion positive NSCLC.
- In March 2023, the updated clinical data evaluating taletrectinib in patients with ROS1 fusion positive NSCLC was accepted for an oral presentation at the ELCC Annual Meeting 2023.
- By the end of 2023, a NDA is expected to be filed for taletrectinib in China, based on the pivotal TRUST-I trial result, for the treatment of ROS1 fusion positive NSCLC.

IBI-126 (tusamitamab ravtansine): *a potential first-in-class ADC targeting CEACAM5, a cell-surface glycoprotein that is highly expressed in NSCLC, GC and other cancers. Collaborated with Sanofi on the development and commercialization in China.*

- Tusamitamab ravtansine is currently in a Phase 3 study for 2L NSCLC globally including China, and global Phase 2 studies in additional indications including 1L NSCLC, GC and other solid tumors.
- In August 2022, the Company and Sanofi entered into a strategic collaboration to bring innovative medicines to patients in China with difficult-to-treat cancers. Both companies are committed to accelerating the development and commercialization of two Sanofi key clinical stage oncology assets: Phase III SAR408701 (tusamitamab ravtansine; anti-CEACAM5 ADC) and Phase II SAR444245 (non-alpha IL-2), combining with sintilimab to address some of the most prevalent solid tumors in China.
- According to the agreement, we will be responsible for developing and exclusively commercializing tusamitamab in multiple oncology-based indications in China.
- In 2023, we plan to initiate early stage clinical study to explore tusamitamab in combination with sintilimab (with/without chemotherapy) in the treatment of 1L NSCLC.

NDA and Late Stage Drug Candidates – Non-Oncology

IBI-306 (tafolecimab injection): *a novel anti-PCSK9 monoclonal antibody; the National Major New Drugs Innovation and Development Program.*

- In February 2022, IBI-306 met the primary endpoint of LDL-C in two Phase 3 studies (CREDIT-1 and CREDIT-4) for the treatment of non-FH and hypercholesterolemia including non-FH and HeFH respectively. Previously in August 2021, IBI-306 met the primary endpoint of LDL-C in the Phase 3 study (CREDIT-2) for the treatment of HeFH.
- In April 2022, the data of the Phase 3 CREDIT-2 was published at the 2022 American College of Cardiology.
- In June 2022, the NMPA accepted the NDA for IBI-306 (tafolecimab injection) for primary hypercholesterolemia (including non-FH and HeFH) and mixed hyperlipidemia. It is expected to potentially be the first domestic anti-PCSK9 monoclonal antibody approved in China.

IBI-362 (mazdutide): *a GLP-1R/GCGR dual agonist in-licensed from Lilly, potential best-in-class clinical-stage drug candidate for diabetes and obesity.*

- In June 2022, the Phase 1b study results of IBI-362 (mazdutide) in Chinese patients with type 2 diabetes were published in *Nature Communications*.
- In June 2022, we released the data from the Phase 2 clinical study of IBI-362 (mazdutide) for Chinese obesity subjects. A total of 230 participants completed 24-week treatment; the least square mean percent change (absolute change) from baseline in body weight were 11.6% (9.85kg) for participants receiving mazdutide on 2.0-4.0-6.0 mg. IBI-362 (mazdutide) showed good safety, robust weight loss efficacy and multiple benefits in metabolic profile, demonstrating the potential to be a best-in-class candidate.
- In June 2022, the Phase 1b data of higher dose IBI-362 (mazdutide) in obesity were released at the 2022 Endocrine Society Annual Meeting. IBI-362 (mazdutide) up-titrated to 10.0 mg and 9.0 mg showed a similar safety profile with that of low-dose cohorts. The mean reduction (percent reduction) from baseline in body weight were 9.23 kg (11.7%) for participants receiving mazdutide at week 12 in cohort 5 (3.0-6.0-9.0 mg with each dose level administered for 4 weeks), demonstrating strong weight loss efficacy.
- In July 2022, we released the data from the Phase 2 clinical study of IBI-362 (mazdutide) for Chinese type 2 diabetes patients. A total of 252 participants completed 20-week treatment, the least squares mean change from baseline to week 20 in HbA1c levels were -1.54% for participants receiving IBI-362 (mazdutide) on 2.0-4.0-6.0 mg. The proportion of patients achieving HbA1c less than 7.0% and body weight reduction of 5.0% or more from baseline to week 20 was 52.2% for mazdutide on 2.0-4.0-6.0 mg. IBI-362 (mazdutide) showed favorable safety, clinically significant improvements in glycemic control and weight loss, with comprehensive benefits on blood pressure, lipid levels, liver enzymes and insulin sensitivity.

- In September 2022, we completed the first patient dose in the Phase 2 study of higher dose 9mg IBI-362 (mazdutide) in Chinese obese patients.

- In November 2022, we completed the first patient dose in the Phase 3 study (GLORY-1) of IBI-362 (mazdutide) in Chinese adults with overweight or obesity. The study plans to enroll 600 subjects in a 1:1:1 ratio to receive either mazdutide 4.0 mg, mazdutide 6.0 mg or placebo for 48 weeks. The primary endpoints include the percentage change in body weight from baseline to week 32 and the proportion of subjects with 5.0% or more body weight loss from baseline at week 32.

- In January 2023, the Phase 3 clinical trial (GLORY-1) of IBI-362 (mazdutide) in Chinese adults with overweight or obesity has completed subject enrollment within three months and will continue follow-up the data.

- In January 2023, we completed the first patient dose in the Phase 3 clinical study (DREAMS-1) of IBI-362 (mazdutide) in Chinese patients with T2DM inadequately controlled by diet and exercise alone. The study plans to enroll approximately 300 subjects, randomized in a 1:1:1 ratio, to receive either IBI-362 (mazdutide) 4.0 mg, IBI-362 (mazdutide) 6.0 mg or placebo. The study treatment period will be 48 weeks in total, including a 24-week double-blind treatment period and a 24-week extension treatment period. The primary endpoint will be the change from baseline to week 24 in HbA1c levels.

- In January 2023, we completed the first patient dose in the Phase 3 clinical study (DREAMS-2) of IBI-362 (mazdutide) in Chinese patients with T2DM who have inadequate glycemic control with metformin monotherapy or combination therapy of metformin with SGLT2 inhibitors or sulfonylureas. The study plans to enroll approximately 720 subjects in a 1:1:1 ratio to receive either IBI-362 (mazdutide) 4.0 mg, IBI-362 (mazdutide) 6.0 mg or dulaglutide 1.5 mg for 28 weeks. The primary endpoint will be the change from baseline to week 28 in HbA1c levels.

- In the first half 2023, we expect to have preliminary data readout for the Phase 2 clinical trial of 9mg higher dose IBI-362 (mazdutide) in Chinese obesity patients, and data readout for longer treatment period in the second half 2023.

IBI-112 (picankibart): *a novel long-acting anti-IL-23 (p19 subunit) monoclonal antibody.*

- In July 2022, we completed the first patient dose of Phase 2 clinical study of IBI-112 for the treatment of Ulcerative Colitis (UC).

- In August 2022, the primary endpoint was met and data released in a Phase 2 study of IBI-112 in Chinese patients with moderate-to-severe plaque psoriasis. We plan to present the full results of the study at future medical conference or journal.

- In February 2023, we completed the first patient dose of the Phase 3 clinical study (CLEAR) for IBI-112 in psoriasis.

Selected Drug Candidates at Phase 1/2 Stages

We have approximately 20 assets at Phase 1/2 stages, most of which we own global rights. We believe these candidates, together with dozens of preclinical projects, can provide a robust and well-diversified pipeline for sustainable growth of the Company in mid to long term.

Selected Oncology Drug Candidates in Phase 1/2 Stages

Milestones and Achievements during the Reporting Period and Post-Reporting Period (Expected)

IBI-110: *a novel anti-LAG3 monoclonal antibody*

- In June 2022, the preliminary results of IBI-110 from three clinical trials, including a Phase 1a/1b dose-escalation study, two Phase 1b studies in 1L sq NSCLC and 1L GC were released at the ASCO Annual Meeting. IBI-110 has shown encouraging efficacy signal and safety profile as monotherapy as well as in combination with sintilimab.

- In December 2022, the updated PoC data of IBI-110 in a Phase 1b study in 1L squamous NSCLC were released at the 2022 ESMO-IO Annual Congress. The median PFS has not been reached yet with a median follow-up of 12 months, and the study is still ongoing with the clinical data to be presented in the future academia conference.

- In 2023, we will continue with the exploration of IBI-110 in multiple indications including a larger scale randomized pivotal trial in 1L sq NSCLC. We plan to provide updated data for IBI-110 at future medical conferences.

IBI-939: *a novel anti-TIGIT monoclonal antibody*

- In December 2022, the preliminary results of the Phase 1b clinical trial of IBI-939 in combination with sintilimab for previously untreated locally advanced PD-L1 selected NSCLC were released at the 2022 ESMO-IO Annual Congress. PFS benefit and tolerable safety profiles were observed.

- In 2023, we will continue with the exploration of IBI-939 in previously untreated advanced PD-L1 selected NSCLC. We plan to provide updated data for IBI-939 at future medical conferences.

IBI-310: *an anti-CTLA-4 monoclonal antibody*

- In 2023, we will continue to explore the potential of IBI-310 in certain selected indications.

IBI-323: *a novel LAG3/PD-L1 bispecific antibody*

- In the second half of 2022, we initiated Phase 1b clinical study for IBI-323 in later line treatment of CRC.

IBI-363 (PD-1/IL-2): *a potential first-in-class PD-1/IL-2 bispecific antibody fusion protein*

- In August 2022, we completed the first patient dose in Australia in Phase 1 clinical study of IBI-363 in patients with advanced malignancies.

- In 2023, we plan to follow the Phase 1 clinical study for IBI-363.

IBI-343 (CLDN18.2 ADC): *a potential best-in-class recombinant anti-CLDN18.2 monoclonal ADC*

- In October 2022, we completed the first patient dose in Australia in Phase 1 clinical study of IBI-343 in patients with advanced malignancies.
- In 2023, we plan to follow the Phase 1 clinical study for IBI-343.

Selected Non-oncology Drug Candidates in Phase 1/2 Stages

IBI-302: *a potential first-in-class anti-VEGF/complement bispecific fusion protein; the National Major New Drugs Innovation and Development Program.*

- In the second half of 2022, we entered Phase 2 clinical trial for high concentration IBI-302 for nAMD.
- In 2023, we plan to release Phase 1 clinical trial data for high concentration IBI-302 for nAMD at upcoming medical conference.
- In late 2023, we expect to read out data for the Phase 2 clinical trial of high concentration IBI-302 in nAMD patients.

IBI-128 (Tigulixostat): *a late-stage novel non-purine XOI for the chronic management of hyperuricemia in patients with gout disease collaborated with LG Chem.*

- In December 2022, we and LG Chem entered into a strategic collaboration for Tigulixostat, a late-stage novel non-purine XOI for the chronic management of hyperuricemia in patients with gout disease. LG Chem has initiated multi-regional global Phase 3 clinical trials for Tigulixostat in the fourth quarter of 2022.
- We plan to apply IND for Tigulixostat, and in the end of 2023, initiate Phase 3 clinical study in China.

IBI-353 (orismilast): *a potent and selective, next-generation PDE4 inhibitor with broad anti-inflammatory properties collaborated with UNION Therapeutics.*

- In December 2022, we have successfully dosed the first Chinese healthy volunteer in the Phase 1 clinical study of orismilast to support the subsequent clinical development of orismilast.
- In January 2023, UNION announced positive topline results of the Phase 2b clinical study of oral orismilast in patients with moderate to severe psoriasis.
- In 2023, we plan to initiate Phase 2 clinical study for orismilast in patients with psoriasis in China.

IBI-311: *a recombinant anti-IGF-1R monoclonal antibody*

- In August 2022, we completed the first subject dose in the Phase 1 clinical study of IBI-311.
- In February 2023, we completed the first patient dose in the Phase 2 clinical study for IBI-311 in patients with TAO.
- In the second half of 2023, we plan to readout data of the Phase 2 clinical study for IBI-311 in patients with TAO and initiate the Phase 3 study for IBI-311 in patients with TAO.

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: The Company cannot guarantee that it will be able to develop, or ultimately market, any of the products in its pipeline successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Strategic Collaboration with Partners and Other Corporate Development

- In January 2022, we entered into an agreement pursuant to which Sana Biotechnology, Inc. (NASDAQ ticker symbol: SANA) obtained from IASO Bio and the Company non-exclusive commercial rights to a clinically validated fully-human BCMA CAR construct for use in certain in vivo gene therapy and ex vivo hypo-immune cell therapy applications.

- In March 2022, we entered into expanded strategic collaboration with Lilly for the sole commercialization right of Cyramza® (ramucirumab) and Retsevmo® (selpercatinib) in mainland China, and an exclusive option for potential future commercialization of pirtobrutinib (BTK inhibitor) in mainland China.

- In June 2022, we appointed Mr. Gary Zieziula as an independent non-executive Director and a member of the Audit Committee and the strategy committee of the Company. Mr. Zieziula has over 40 years of experience building and guiding strong, sustainable sales and operations organizations across Europe and North America in several MNCs, which will contribute to the implementation of the Company's strategic objective and mission of innovation through globalization.

- In August 2022, the Company and Sanofi entered into a strategic collaboration to bring innovative medicines to patients in China with difficult-to-treat cancers. Both companies are committed to accelerate the development and commercialization of two Sanofi key clinical stage oncology assets: Phase III SAR408701 (tusamitamab ravtansine; anti-CEACAM5 antibody-drug conjugate) and Phase II SAR444245 (non-alpha IL-2), combining with sintilimab, the leading checkpoint inhibitor in China. In addition to the collaboration and license agreement, Sanofi made an initial investment of EUR300.0 million in the Company through subscription of new ordinary shares. Subject to mutual agreement of both parties in the future, Sanofi will have the right to acquire additional ordinary shares of the Company for EUR300.0 million.

- In December 2022, the Company and LG Chem entered into a strategic collaboration for Tigulixostat, a late-stage novel non-purine XOI for the chronic management of hyperuricemia in patients with gout disease. LG Chem has initiated multi-regional global Phase 3 clinical trials for Tigulixostat in the fourth quarter of 2022.

- During the Reporting Period, our production capacity of 60,000L guaranteed sufficient capacity to commensurate with our growing and maturing drug pipeline and to support our continued business expansions. Our manufacturing capacity consisted of eighteen 3,000L stainless steel bioreactors and six 1,000L disposable bioreactors. In particular, the large scale stainless steel bioreactors have provided market competitive cost advantage for the production antibody drugs.

Financial Review

Year Ended 31 December 2022 Compared to Year Ended 31 December 2021

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Revenue from contracts with customers	**4,556,380**	4,269,729
Cost of sales	**(930,990)**	(505,337)
Gross profit	**3,625,390**	3,764,392
Other income	**279,735**	196,881
Other gains and losses	**774,340**	(72,784)
Research and development expenses	**(2,871,220)**	(2,322,513)
Administrative and other expenses	**(835,488)**	(806,010)
Selling and marketing expenses	**(2,590,765)**	(2,620,142)
Royalties and other related payments	**(450,763)**	(719,077)
Finance costs	**(101,698)**	(62,464)
Loss before tax	**(2,170,469)**	(2,641,717)
Income tax expense	**(8,801)**	(87,038)
Loss for the year	**(2,179,270)**	(2,728,755)
Other comprehensive expense:		
Items that will not be reclassified to profit or loss		
Fair value loss on investment in equity instruments at fair value through other comprehensive income	**(876)**	(120,009)
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(20,446)**	1,995
Other comprehensive expense for the year, net of income tax	**(21,322)**	(118,014)
Total comprehensive expense for the year	**(2,200,592)**	(2,846,769)
Non-IFRS measure:		
Adjusted total comprehensive expense for the year	**(2,483,156)**	(2,146,447)

1. Revenue

For the year ended 31 December 2022, the Group generated revenue from contracts with customers of RMB4,556.4 million. The Group generated revenue from (i) sales of pharmaceutical products; (ii) license fee income; and (iii) R&D service fee income. The following table sets forth the components of the revenue from contracts with customers for the years presented:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers:		
Sales of pharmaceutical products	**4,139,084**	4,001,077
License fee income	**417,055**	268,652
R&D service fee income	**241**	–
Total revenue from contracts with customers	**4,556,380**	4,269,729

During the year ended 31 December 2022, the Group recorded revenue from sales of pharmaceutical products of RMB4,139.1 million, as compared with RMB4,001.1 million for the year ended 31 December 2021.

During the year ended 31 December 2022, the Group recorded license fee income of RMB417.1 million, as compared with RMB268.7 million for the year ended 31 December 2021. Under the Exclusive License and Collaboration Agreement for China and Co-Development Agreement entered into between the Group and Lilly in March 2015 (the "**Lilly China Agreement**") on the products of TYVYT® (sintilimab injection) and HALPRYZA® (rituximab injection), the Group received collaboration payments and started to recognise revenue at the commercialisation stage of relevant products. During the years ended 31 December 2022 and 2021, such license fee income recorded was RMB396.8 million and RMB259.8 million, respectively. Meanwhile, the Group recognized a one-time license fee income of RMB20.3 million for the year ended 31 December 2022, as compared with RMB8.9 million for the year ended 31 December 2021.

In addition, the Group continued to provide R&D services to customers. During the year ended 31 December 2022, the Group generated R&D service revenue of approximately RMB0.2 million, while no such revenue was recorded for the year ended 31 December 2021.

2. Cost of Sales

The Group's cost of sales consisted of cost of raw material, direct labor, manufacturing cost and manufacturing overhead related to the production of the products sold as well as inventory impairment loss and amortisation of development cost for products at commercialisation stage. During the year ended 31 December 2022, the Group recorded cost of sales of RMB931.0 million, as compared with RMB505.3 million for the year ended 31 December 2021.

3. Other Income

The Group's other income consist 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 was recognized over the useful life of related assets; (ii) incentive and other subsidies for R&D activities, which were recognized upon compliance with certain conditions; and (iii) incentive which has no specific conditions attached to the grants.

For the year ended 31 December 2022, other income of the Group increased by RMB82.8 million to RMB279.7 million, from RMB196.9 million for the year ended 31 December 2021. The increase was primarily due to the recognition and continuous support from government to the Group as well as more bank interest income earned.

4. Other Gains and Losses

The Group's other gains and losses consist of (i) changes in foreign currency exchange rates; (ii) fair value changes of other financial assets and liabilities (financial assets and liabilities measured at fair value through profit or loss ("**FVTPL**")); (iii) gain from disposal of other financial assets measured at FVTPL; and (iv) gain or loss on disposal of property, plant and equipment.

For the year ended 31 December 2022, other gains and losses of the Group was a gain of RMB774.3 million, as compared with a loss of RMB72.8 million for the year ended 31 December 2021, which primarily included gains of RMB752.1 million, mainly derived from the favourable impact of foreign exchange rates.

5. R&D Expenses

The Group's R&D expenses comprise of third-party contracting costs, including clinical trial expenses, raw material cost, staff costs, initial costs and subsequent milestone payment under collaboration and license agreements during development stage, and depreciation and amortisation.

For the years ended 31 December 2022 and 31 December 2021, the Group incurred R&D expenses of RMB2,871.2 million and RMB2,322.5 million, respectively. The increase was mainly driven by (i) increased expense of pre-clinical studies, clinical trials and other associated R&D activities; and (ii) increased staff costs accompanied with expanding of relative R&D departments.

6. Administrative and Other Expenses

For the year ended 31 December 2022, administrative and other expenses of the Group increased to RMB835.5 million from RMB806.0 million for the year ended 31 December 2021. The increase was primarily caused by new hiring of administrative staff, increased share-based compensation, increased donations to various charitable organizations and other expenses in relation to our operations.

7. Selling and Marketing Expenses

Selling and marketing expenses represent staff costs for selling and marketing personnel and related expenses of marketing and promotion activities. Selling and marketing expenses were RMB2,590.8 million for the year ended 31 December 2022, as compared with RMB2,620.1 million for the year ended 31 December 2021. The Group continuously devotes commercialization efforts to build sales channels and explore potential markets to maximize the commercial value of our products. In addition, the Group continuously develops a more sustainable and healthy commercial management model to establish a more agile and leaner organization with systematic and scientific management, which could further increase the output and improve efficiency for more sustainable long-term growth.

8. Royalties and Other Related Payments

Royalties and other related payments were RMB450.8 million for the year ended 31 December 2022, as compared with RMB719.1 million for the year ended 31 December 2021. This represents the royalties, sales-based milestones, profit sharing, as well as other related payments to third parties for various co-development and licensing-in products.

9. Income Tax Expense

Income tax expense was RMB8.8 million for the year ended 31 December 2022 as compared with RMB87.0 million for the year ended 31 December 2021, which represented (i) provision of income tax expense arising from taxable income in certain subsidiaries of the Group; (ii) withholding tax paid for out-license income generated from ex-China; and (iii) reverse of over provision in prior year.

10. Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted 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 use of this non-IFRS measure has 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 figure 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 year to year and company to company to the extent applicable.

Non-IFRS measures represent corresponding measures under IFRS excluding the effect of certain non-cash items including the share-based compensation expenses and net foreign exchange gains or losses.

The table below sets forth a reconciliation of the gross profit to adjusted gross profit for the years:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Gross profit	**3,625,390**	3,764,392
Added:		
Share-based compensation expenses	**56,910**	53,231
Adjusted gross profit	**3,682,300**	3,817,623

The table below sets forth a reconciliation of the R&D expenses to adjusted R&D expenses for the years:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
R&D expenses	**(2,871,220)**	(2,322,513)
Added:		
Share-based compensation expenses	**206,512**	203,804
Adjusted R&D expenses	**(2,664,708)**	(2,118,709)

The table below sets forth a reconciliation of the administrative and other expenses to adjusted administrative and other expenses for the years:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Administrative and other expenses	**(835,488)**	(806,010)
Added:		
Share-based compensation expenses	**193,676**	169,174
Adjusted administrative and other expenses	**(641,812)**	(636,836)

The table below sets forth a reconciliation of the selling and marketing expenses to adjusted selling and marketing expenses for the years:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses	**(2,590,765)**	(2,620,142)
Added:		
Share-based compensation expenses	**12,392**	75,363
Adjusted selling and marketing expenses	**(2,578,373)**	(2,544,779)

Selected Data from Statement of Financial Position

	As at 31 December 2022	As at 31 December 2021
	RMB'000	RMB'000
Total current assets	**11,506,708**	11,550,849
Total non-current assets	**6,082,137**	4,692,864
Total assets	**17,588,845**	16,243,713
Total current liabilities	**3,499,198**	3,050,047
Total non-current liabilities	**3,359,698**	2,863,269
Total liabilities	**6,858,896**	5,913,316
Net current assets	**8,007,510**	8,500,802

11. Liquidity and Source of Funding and Borrowing

As at 31 December 2022, the Group's bank balances and cash and current portion of other financial assets increased to RMB9,166.0 million from RMB9,021.9 million as at 31 December 2021. The increase primarily resulted from the placement of new shares for approximately RMB2,089.0 million in August 2022, partially offset by investments in ongoing R&D projects, commercialization activities and capacity expansion.

As at 31 December 2022, the current assets of the Group were RMB11,506.7 million, including bank balances and cash of RMB9,162.8 million and current portion of other financial assets of RMB3.2 million. As at 31 December 2022, the current liabilities of the Group were RMB3,499.2 million, including trade and bills payables of RMB325.6 million, other payables and accrued expenses of RMB1,821.0 million, contract liabilities of RMB434.9 million, borrowings of RMB888.0 million, tax payable of RMB3.3 million and lease liabilities of RMB26.4 million.

As at 31 December 2022, the Group had available unutilized long-term bank loan facilities of approximately RMB2,291.2 million.

12. Key Financial Ratios

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

	As at 31 December 2022	As at 31 December 2021
Current ratio[2]	**3.3**	3.8
Quick ratio[3]	**2.9**	3.3
Gearing ratio[4]	**NM[5]**	NM[5]

13. Significant Investments

The Group did not hold any significant investments that accounted for 5.0% or more of the Company's total assets during the year ended 31 December 2022.

14. 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 2022.

15. Future Plans for Material Investments or Capital Assets

As at 31 December 2022, the Group did not have detailed future plans for material investments or capital assets.

2 Current ratio is calculated using current assets divided by current liabilities as of the same date.
3 Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.
4 Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%.
5 Gearing ratio is not meaningful as our interest-bearing borrowings less cash equivalents was negative.

16. Pledge of Assets

As at 31 December 2022, the Group had a total of RMB889.4 million of property, plant and equipment, RMB279.9 million of land use rights and RMB901.4 million of bank deposits pledged to secure its loans and banking facilities.

17. Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

18. Foreign Exchange Exposure

During the year ended 31 December 2022, a majority of the Group's transactions were settled in Renminbi (RMB), the functional currency of the Company's primary subsidiaries. As at 31 December 2022, 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, and trade and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at 31 December 2022. The Group uses forward contracts to eliminate the foreign exchange exposures.

Report of Directors

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2022.

Directors

The Directors who held office during the year ended 31 December 2022 and up to the Latest Practicable Date are:

Executive Directors:

Dr. De-Chao Michael Yu
(Chairman of the Board and Chief Executive Officer)
Mr. Ronald Hao Xi Ede

Non-Executive Director:

Mr. Shuyun Chen *(resigned on 25 February 2022)*

Independent Non-Executive Directors:

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen
Mr. Gary Zieziula *(appointed on 1 June 2022)*

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 81 to 85 of this annual report.

General Information

The Company was incorporated in the Cayman Islands on 28 April 2011 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as amended or supplemented from time to time) of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on 31 October 2018.

Principal Activities

The Company's mission is to create a world-class biopharmaceutical company that develops and commercialises high quality drugs that are affordable to ordinary people. The Group was founded in 2011 by Dr. De-Chao Michael Yu, a highly accomplished scientist, innovator and entrepreneur. The Company is committed to innovation in drug development and have complied with 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, the Group has developed a fully-integrated multi-functional platform consisting of advanced research, discovery, development, CMC 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, autoimmune, and cardiovascular 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.

Results

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 108 of this annual report.

Business Review

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 "Chairman's Statement" and "Management Discussion and Analysis" of this report. All the review, discussions and analysis mentioned above form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the sections headed "Post-Reporting (Expected) Milestones and Achievements" under "Management Discussion and Analysis" and "Important Events After the Reporting Period" in this annual report. 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" to be published on the same day with this annual report.

Principal Risks and Uncertainties

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control:

- Impact of COVID-19 on its sales, clinical development and business operations;
- its financial position;
- its ability to obtain additional financing to fund its operations;
- its ability to development and commercialise its drug candidates, especially those in pre-clinical or clinical development;
- its ability to identify additional drug candidates;
- its success in demonstrating safety and efficacy of its drug candidates to the satisfaction of regulatory authorities or produce positive results in its clinical trials;
- material aspects of the research, development and commercialisation of pharmaceutical products being heavily regulated;
- lengthy, time-consuming and inherently unpredictable regulatory approval processes of the regulatory authorities for its drug candidates;
- competition in the pharmaceutical industry where the Group serves; and
- its ability to obtain and maintain patent protection for its drug candidates.

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

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For more details, please refer to the Company's 2022 ESG Report.

Compliance with the Relevant Laws and Regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Employees and Remuneration

As at 31 December 2022, the Group had a total of 5,294 employees, including over 1,000 people from R&D, over 1,000 from CMC, and nearly 3,000 from selling and marketing. The Group believes in the importance of recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees employed by the Group varies from time to time depending on the business need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

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 adopted the Pre-IPO Plan, the Post-IPO ESOP, the 2018 RS Plan and the 2020 RS Plan to provide incentives for the Group's employees. 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 for further details of the Pre-IPO Plan, the Post-IPO ESOP and the 2018 RS Plan and the circular of the Company dated 28 May 2020 for further details of the 2020 RS Plan, the termination of the 2018 RS Plan and the survival of the restricted shares granted or earmarked pursuant to the 2018 RS Plan. The 2020 RS Plan succeeded the 2018 RS Plan.

The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB2,649.6 million, as compared to RMB2,385.4 million for the year ended 31 December 2021.

During the year ended 31 December 2022, the Group did not experience any significant labor disputes or any difficulty in recruiting employees.

Major Customers and Suppliers

Major Customers

During the year ended 31 December 2022, the Group derived all of its revenues from (i) sales of pharmaceutical products; (ii) license fee income; and (iii) R&D service fee income. For the year ended 31 December 2022, revenue from the five largest customers accounted for 64.6% (2021: 84.2%) of the Group's total revenue and the Group's largest customer for the year ended 31 December 2022 accounted for approximately 56.6% (2021: 76.1%) of the Group's total revenue amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

Major Suppliers

Our major suppliers include (i) third-party developers of human antibody discovery platforms; (ii) several reputable third-party suppliers of cell culture media; and (iii) contract research organisations and consultants that manage, conduct and support our clinical trials and preclinical studies globally. For the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for approximately 50.8% (2021: 32.2%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2022 accounted for approximately 14.6% (2021: 10.8%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended 31 December 2022, the Group did not experience any significant disputes with its customers or suppliers.

Financial Summary

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 207 of this annual report. This summary does not form part of the audited consolidated financial statements.

Pre-emptive Rights

There are no provisions 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 the 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.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 17 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2022 are set out in Note 14 to the consolidated financial statements.

Share Capital and Shares Issued

On 4 August 2022, the Group entered into a strategic multi-program collaboration and license agreement with SANOFI's group to establish a strategic collaboration for the clinical development and commercialization of certain products. In addition to the strategic multi-program collaboration and license agreement, Sanofi Foreign Participations B.V. (the "**Subscriber**") has agreed to invest in the Company by subscribing for, and the Company agreed to allot and issue to the Subscriber, two tranches of the subscription Shares under the share issuance agreement (the "**Share Issuance Agreement**").

The Shares under the first tranche shall be allotted and issued to the Subscriber for a total consideration of the Hong Kong dollar equivalent to EUR300 million (i.e. HK$2,416.68 million) in cash at a price of HK$42.42 per Share. Subject to the entry into and the terms of a separate written share issuance agreement between the Company and the Subscriber in the future, the Subscriber may further invest EUR300 million for additional Shares under the second tranche.

On 18 August 2022, the Company completed the closing of the first tranche, 56,975,670 Shares were allotted and issued by the Company to the Subscriber, representing 3.73% of the issued share capital of the Company as enlarged by the issue of the subscription Shares under the closing of the first tranche. Such Shares have a nominal value of US$569.7567 and a market value of HK$1,871.65 million, based on the closing price of HK$32.85 per Share on the date of the Share Issuance Agreement. For further details, please refer to the announcements of the Company dated August 18, 2022 and August 4, 2022.

Details of movements in the share capital of the Company for the year ended 31 December 2022 and details of the Shares issued during the year ended 31 December 2022 are set out in Note 31 to the consolidated financial statements.

Donation

During the year ended 31 December 2022, the Group made charitable donations of approximately RMB247.2 million (2021: approximately RMB204.6 million).

Debenture Issued

The Group did not issue any debenture during the year ended 31 December 2022.

Equity-linked Agreements

Save for the Pre-IPO Share Incentive Plan, the Post-IPO ESOP, the 2018 RS Plan and the 2020 RS Plan as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2022.

Dividends

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2022.

Permitted Indemnity

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended 31 December 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

Distributable Reserves

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As at 31 December 2022, the Company had distributable reserves for share premium of RMB24,705,638,000 (2021: RMB22,493,658,000).

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 111 and in Note 38 to the consolidated financial statements, respectively.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 27 to the consolidated financial statements.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the date of their service contracts, subject to renewal after the expiry of the then current term.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years since the commencement date of his/her appointment letter, subject to renewal after the expiry of the then current term.

Mr. Shuyun Chen has resigned as a non-executive Director on 25 February 2022 and Mr. Gary Zieziula has been appointed as an independent non-executive Director on 1 June 2022.

The above appointments are always subject to the provisions of retirement and rotation of directors under the Articles of Association and the Corporate Governance Code.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the Note 34A to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2022.

Contracts with Controlling Shareholders

The Company has no Controlling Shareholders during the year ended 31 December 2022.

Management Contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2022.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

As at 31 December 2022, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of shares/ underlying shares	Approximate percentage of holding[1]	Long position/ Short position
Dr. De-Chao Michael Yu ("**Dr. Yu**")	Beneficial owner	101,430,614[2]	6.61%	Long position
		371,747[3]	0.02%	Short position
	Grantor of a trust	9,000,000[4]	0.59%	Long position
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	12,422,595[5]	0.81%	Long position
Dr. Charles Leland Cooney ("**Dr. Cooney**")	Beneficial owner	87,248[6]	0.01%	Long position
Mr. Ronald Hao Xi Ede ("**Mr. Ede**")	Beneficial owner	7,160,975[7]	0.47%	Long position
Ms. Joyce I-Yin Hsu ("**Ms. Hsu**")	Beneficial owner	48,158[8]	0.00%	Long position
Dr. Kaixian Chen ("**Dr. Chen**")	Beneficial owner	22,084[9]	0.00%	Long position
Mr. Gary Zieziula ("**Mr. Zieziula**")	Beneficial owner	131,676[10]	0.01%	Long position

Notes:

1. The calculation is based on the total number of 1,534,406,983 Shares in issue as at 31 December 2022.

2. Includes (i) 85,857,672 Shares held directly by Dr. Yu; (ii) Dr. Yu's entitlement to receive up to 8,604,889 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Dr. Yu's entitlement to the aggregate of 6,968,053 Shares underlying restricted shares granted to him, subject to the conditions of these underlying restricted shares.

3. These Shares are in connection with a donation agreement entered into by Dr. Yu, pursuant to which he agreed to sell HK$10,000,000 worth of his Shares (approximately 371,747 Shares based on the closing price of HK$26.90 on 27 December 2019, the closest trading day to the date of the agreement) and to transfer the proceeds remaining (after tax and relevant fees) to the beneficiary. Such date of transfer shall be extended to a date as agreed by the parties.

4. These Shares are held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.

5. These Shares are held by The Bryn Mawr Trust Company of Delaware as trustee of (i) Madrone Grove Dynasty Trust; and (ii) Jenelope Dynasty Trust, of which Dr. Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.

6. Includes (i) 43,792 Shares held by Dr. Cooney; and (ii) Dr. Cooney's entitlement to receive up to 38,628 pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Dr. Cooney's entitlement to the aggregate of 4,828 Shares underlying the restricted shares granted to him, subject to the conditions of these underlying restricted shares.

7. Includes (i) 3,815,616 Shares held directly by Mr. Ede and (ii) Mr. Ede's entitlement to receive up to 2,304,715 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Mr. Ede's entitlement to the aggregate of 1,040,644 Shares underlying restricted shares granted to him, subject to the conditions of these underlying restricted shares.

8. Includes (i) 4,702 shares held directly by Ms. Hsu; (ii) Ms. Hsu's entitlement to receive up to 38,628 Shares pursuant to the exercise of options granted to her, subject to the conditions of these options; and (iii) Ms. Hsu's entitlement to the aggregate of 4,828 Shares underlying the restricted shares granted to her, subject to the conditions of these underlying restricted shares.

9. Includes (i) 4,702 shares held directly by Dr. Chen; (ii) Dr. Chen's entitlement to receive up to 15,451 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Dr. Chen's entitlement to the aggregate of 1,931 Shares underlying the restricted shares granted to him, subject to the conditions of these underlying restricted shares.

10. Includes (i) Mr. Zieziula's entitlement to receive up to 117,045 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (ii) the proposed grant of an aggregate of 14,631 Shares underlying Restricted Shares to Mr. Zieziula, subject to the approval of independent shareholders of the Company at a general meeting to be held.

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 interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position
The Capital Group Companies, Inc. ("**Capital Group Companies**")[2]	Interest in a controlled corporation	92,026,782	5.998%	Long position
Temasek Holdings (Private) Limited[3]	Interest in a controlled corporation	134,042,850	8.736%	Long position

Notes:

1. The calculation is based on the total number of 1,534,406,983 Shares in issue as at 31 December 2022.

2. Capital Research and Management Company ("**Capital Research**") is a wholly-owned subsidiary of Capital Group Companies, which directly holds 47,236,736 Shares and is deemed to be interested in the 44,790,046 Shares held by other entities under the control of Capital Group International Inc., a wholly-owned subsidiary of Capital Research. Under the SFO, Capital Group Companies is deemed to be interested in the Shares held by Capital Research.

3. TLS Beta Pte. Ltd ("**TLS Beta**") is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 89,475,350 Shares held by TLS Beta.

   Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are also deemed to be interested in the 11,230,000 Shares held by Elbrus Investments Pte. Ltd., a wholly-owned subsidiary of Temasek Life Sciences Private Limited.

   In addition, Temasek Holdings (Private) Limited is deemed to be interested in the 33,337,500 Shares held by other entity under its control. For details, please refer to the disclosure of interest form of Temasek Holdings (Private) Limited filed on 23 August 2022.

Save as disclosed above, as at the date 31 December 2022, no persons other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" above had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

Equity Plans

The Company has four existing share schemes, namely the Pre-IPO Share Incentive Plan (terminated on 9 May 2022), the Post-IPO ESOP, the 2018 RS Plan (terminated on 12 June 2020) and the 2020 RS Plan. From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and will comply with the new Chapter 17 accordingly (effective from 1 January 2023).

106,368,874 new Shares, representing approximately 7.1% of the weighted average of issued share capital of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO ESOP and the 2020 RS Plan.

Further details and relevant breakdowns of each of the share schemes of the Company are set out below:

1. Pre-IPO Share Incentive Plan

Purpose

The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's shareholders generally.

Eligible Participants

Those eligible to participate in the Pre-IPO Share Incentive Plan include employees, advisers or consultants, all members of the Board and other individuals, as determined, authorised and approved by the Board or a committee authorised by the Board.

Maximum Number of Shares Available for Grant under the Pre-IPO Share Incentive Plan

The overall limit on the number of underlying shares which were delivered and may be delivered pursuant to awards granted under the Pre-IPO Share Incentive Plan is 165,476,820 Shares, subject to any adjustments for other dilutive issuances.

No further awards would be granted under the Pre-IPO Share Incentive Plan after listing.

Given that no further awards would be granted under the Pre-IPO Share Incentive Plan, the outstanding number of options would be equivalent to the maximum number of Shares available for issue under the Pre-IPO Share Incentive Plan. As at the Latest Practicable Date, the aggregate number of underlying Shares pursuant to the outstanding options granted under the Pre-IPO Share Incentive Plan was 29,623,171 Shares, being approximately 1.9% of the total issued Shares were granted to eligible participants pursuant to the Pre-IPO Share Incentive Plan. Details of the Pre-IPO Share Incentive Plan are set out in Note 32 to the consolidated financial statements.

Maximum Entitlement for Each Participant

There is no specific limit on the maximum number of shares which may be granted to a single eligible participant under the Pre-IPO Share Incentive Plan.

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the award agreement. Details of the vesting period of individual grants are stated in the table below.

Consideration

No consideration is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Incentive Plan.

Exercise Price

The exercise price of an option may be a fixed price based on the par value of an ordinary share of the Company or variable price related to the fair market value of an ordinary share of the Company. The exercise price of all the options and share awards granted under the Pre-IPO Share Incentive Plan is between US$0.017 and US$1.342.

Remaining Life of the Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan commenced on 10 May 2012 (the "**Effective Date**") and will terminate at the close of business on the day before the 10th anniversary of the Effective Date. Given that the term of the Pre-IPO Share Incentive Plan has expired on 9 May 2022, the Pre-IPO Share Incentive Plan has been terminated within the Reporting Period.

After the termination of the Pre-IPO Share Incentive Plan either upon such stated expiration date or its earlier termination by the Board, no additional awards may be granted, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Pre-IPO Share Incentive Plan.

Further details of the Pre-IPO Share Incentive Plan are set out in the Prospectus and Note 32 to the financial statements.

Outstanding Share options and share awards

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Incentive Plan as of 31 December 2022. No options and/or share awards were granted since the Listing Date. For further details on the movement of the options during the Reporting Period, please see Note 32 to the consolidated financial statements.

No options have been granted to connected persons of the Company (including directors of the company and the senior management) under the Pre-IPO Share Incentive Plan which are outstanding.

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan (which involves issuing new Shares) as at 31 December 2022 are as follows:

					Number of options					
Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Outstanding as of 1 January 2022	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 31 December 2022	Weighted average closing price immediately before the exercise date
Service Providers in aggregate	Between 10 May 2012 and 13 July 2018	10 years from the date of grant	4 years from the date of grant	Between US$0.017 and US$0.212	9,450,000	(860,000)	–	(10,000)	8,580,000	HK$29.78
Employee Participants in aggregate	Between 10 May 2012 and 9 October 2018	10 years from the date of grant	4 years to 6 years from the date of grant	Between US$0.017 and US$1.342	32,975,296	(9,102,542)	(2,041,250)	(140,000)	21,691,504	HK$33.78
Total					42,425,296	(9,962,542)	(2,041,250)	(150,000)	30,271,504	

2. Post-IPO ESOP

Purpose

The purpose of the Post-IPO ESOP is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO ESOP will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Eligible Participants

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group.

Maximum Number of Shares Available for Grant

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP and any other schemes is 111,815,071, being no more than 10% of the Shares in issue on the date the Shares commenced trading on the Stock Exchange. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO ESOP and any other share option schemes of the Company at any time must not exceed 30% of the Shares in issue from time to time.

As of 1 January 2022, 67,244,107 new Shares were available for grant under the Post-IPO ESOP. During the Reporting Period, 13,972,410 options had been granted pursuant to the Post-IPO ESOP. It follows that, as of December 31, 2022, the total number of new Shares available for grant under the Post-IPO ESOP was 64,059,876 Shares (including those cancelled and lapsed during the Reporting Period). As at the Latest Practicable Date, 51,998,455 new Shares (representing approximately 3.4% of the issued share capital of the Company) were available for grant under the Post-IPO ESOP.

Maximum Entitlement of Each Participant

Unless approved by Shareholders in a general meeting, the maximum number of Shares underlying the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

Option Period

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Vesting Period

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

Consideration

An amount of HK$1.00 must be paid as consideration for the grant of the share options and such payment must be made within 20 business days from the date the share option grant offer is made to the grantee.

Exercise Price

Pursuant to the Post-IPO ESOP, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

Remaining Life of the Post-IPO ESOP

The Post-IPO ESOP shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO ESOP), but in all other respects the provisions of the Post-IPO ESOP shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO ESOP.

The remaining life of the Post-IPO ESOP is approximately 5.5 years.

Further details of the Post-IPO ESOP are set out in the Prospectus.

Outstanding options

Details of the movements of the options granted under the Post-IPO ESOP as at 31 December 2022 are as follows:

Name or category of grantee	Date of grant	Option period	Vesting Period	Exercise price	Number of options						Closing price of the Shares immediately before the date of grant	Fair value of options at the date of grant
					Outstanding as of 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 31 December 2022		
Directors												
Dr. De-Chao Michael Yu	15 March 2019	10 years from the date of grant	75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	4,142,857	–	–	–	–	4,142,857	HK$28.45	N/A
	15 April 2020	10 years from the date of grant	75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024	HK$33.95	2,071,429	–	–	–	–	2,071,429	HK$34.00	N/A
	30 March 2021	10 years from the date of grant	75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025	HK$78.20	1,035,714	–	–	–	–	1,035,714	HK$73.80	N/A
	30 March 2022	10 years from the date of grant	75% shall vest on 30 March 2025; and 25% shall vest on 30 March 2026	HK$30.60	–	1,354,889	–	–	–	1,354,889	HK$28.55	HK$20.35[1]
Mr. Ronald Hao Xi Ede	15 March 2019	10 years from the date of grant	75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	952,381	–	–	–	–	952,381	HK$28.45	N/A
	15 April 2020	10 years from the date of grant	75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024	HK$33.95	635,714	–	–	–	–	635,714	HK$34.00	N/A
	30 March 2021	10 years from the date of grant	75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025	HK$78.20	342,857	–	–	–	–	342,857	HK$73.80	N/A
	30 March 2022	10 years from the date of grant	75% shall vest on 30 March 2025; and 25% shall vest on 30 March 2026	HK$30.60	–	373,763	–	–	–	373,763	HK$28.55	HK$20.35[1]

Name or category of grantee	Date of grant	Option period	Vesting Period	Exercise price	Number of options						Closing price of the Shares immediately before the date of grant	Fair value of options at the date of grant
					Outstanding as of 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 31 December 2022		
Dr. Charles Leland Cooney	30 March 2022	10 years from the date of grant	33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025	HK$30.60	–	38,628	–	–	–	38,628	HK$28.55	HK$19.64[1]
Ms. Joyce I-Yin Hsu	30 March 2022	10 years from the date of grant	33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025	HK$30.60	–	38,628	–	–	–	38,628	HK$28.55	HK$19.64[1]
Dr. Kaixian Chen	30 March 2022	10 years from the date of grant	33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025	HK$30.60	–	15,451	–	–	–	15,451	HK$28.55	HK$19.64[1]
Mr. Gary Zieziula	1 June 2022	10 years from the date of grant	33.33% shall vest on 1 June 2023; 33.33% shall vest on 1 June 2024; and 33.33% shall vest on 1 June 2025	HK$24.30	–	117,045	–	–	–	117,045	HK$24.35	HK$15.70[1]
Service Providers in aggregate	15 March 2019	10 years from the date of grant	75% shall vest on 9 December 2022; and 25% shall vest on 9 December 2023	HK$28.30	100,000	–	–	–	–	100,000	HK$28.45	N/A
	9 December 2022	10 years from the date of grant	75% shall vest on 9 December 2025; and 25% shall vest on 9 December 2026	HK$32.25	–	800,000	–	–	–	800,000	HK$30.50	HK$21.92
Employee Participants in aggregate	15 March 2019	10 years from the date of grant	75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	6,980,933	–	(1,059,239)[3]	(1,279,774)	–	4,641,920	HK$28.45	N/A

Name or category of grantee	Date of grant	Option period	Vesting Period	Exercise price	Number of options						Closing price of the Shares immediately before the date of grant	Fair value of options at the date of grant
					Outstanding as of 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 31 December 2022		
	14 June 2019	10 years from the date of grant	75% shall vest on 14 June 2022; and 25% shall vest on 14 June 2023	HK$26.25	285,714	–	–	–	–	285,714	HK$26.40	N/A
	29 August 2019	10 years from the date of grant	75% shall vest on 29 August 2022; and 25% shall vest on 29 August 2023	HK$25.85	171,429	–	–	(114,286)	–	57,143	HK$24.45	N/A
	4 December 2019	10 years from the date of grant	75% shall vest on 4 December 2022; and 25% shall vest on 4 December 2023	HK$28.15	499,998	–	–	(204,285)	–	295,713	HK$28.15	N/A
	15 April 2020	10 years from the date of grant	75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024	HK$33.95	10,792,005	–	–	(2,976,445)	–	7,815,560	HK$34.00	N/A
	11 June 2020	10 years from the date of grant	75% shall vest on June 11, 2023; and 25% shall vest on June 11, 2024	HK$47.80	1,527,906	–	–	(364,805)	–	1,163,101	HK$48.00	N/A
	27 August 2020	10 years from the date of grant	75% shall vest on 27 August 2023; and 25% shall vest on 27 August 2024	HK$54.55	242,855	–	–	(28,571)	–	214,284	HK$53.45	N/A
	3 December 2020	10 years from the date of grant	75% shall vest on 3 December 2023; and 25% shall vest on 3 December 2024	HK$53.90	3,471,306	–	–	(15,000)	–	3,456,306	HK$51.90	N/A
	30 March 2021	10 years from the date of grant	75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025	HK$78.20	8,043,081	–	–	(2,050,280)	–	5,992,801	HK$73.80	N/A
	23 June 2021	10 years from the date of grant	75% shall vest on 23 June 2024; and 25% shall vest on 23 June 2025	HK$90.05	1,242,002	–	–	(492,049)	–	749,953	HK$86.05	N/A
		10 years from the date of grant	50% shall vest on 23 June 2026; and 50% shall vest on 23 June 2027	HK$90.05	691,429	–	–	(445,715)	–	245,714	HK$86.05	N/A

Name or category of grantee	Date of grant	Option period	Vesting Period	Exercise price	Number of options						Closing price of the Shares immediately before the date of grant	Fair value of options at the date of grant
					Outstanding as of 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of 31 December 2022		
	26 August 2021	10 years from the date of grant	75% shall vest on 26 August 2024; and 25% shall vest on 26 August 2025	HK$64.69	261,285	–	–	(60,857)	–	200,428	HK$64.20	N/A
	6 December 2021	10 years from the date of grant	75% shall vest on 6 December 2024; and 25% shall vest on 6 December 2025	HK$68.51	1,080,068	–	–	(600,410)	–	479,658	HK$66.40	N/A
	30 March 2022	10 years from the date of grant	75% shall vest on 30 March 2025; and 25% shall vest on 30 March 2026	HK$30.60	–	10,456,741	–	(2,069,985)	–	8,386,756	HK$28.55	Staff: HK$19.30 Management: HK$20.35[1]
	8 July 2022	10 years from the date of grant	75% shall vest on 8 July 2025; and 25% shall vest on 8 July 2026	HK$37.55	–	429,568	–	(57,142)	–	372,426	HK$37.75	Staff: HK$23.27[1]
	29 August 2022	10 years from the date of grant	75% shall vest on 29 August 2025; and 25% shall vest on 29 August 2026	HK$33.10	–	126,999	–	(28,571)	–	98,428	HK$34.90	Staff: HK$16.73 Management: HK$17.80[1]
	9 December 2022	10 years from the date of grant	75% shall vest on 9 December 2025; and 25% shall vest on 9 December 2026	HK$32.25	–	220,698	–	–	–	220,698	HK$30.50	Staff: HK$20.76 Management: HK$21.92[1]
Total					44,570,963	13,972,410	(1,059,239)	(10,788,175)	–	46,695,959		

Notes:

1. The Company granted 1,938,404 options to the Directors and 12,034,006 options to the Employees during the Reporting Period, which are measured at the fair value of the equity instruments at the grant date according to IFRS 2 Share-based payments.

   The fair value of the equity-settled share-based payments was determined at the grant date without taking into consideration all non-market vesting conditions expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the Reporting Period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions.

2. Employee Participants other than Dr. De-Chao Michael Yu, Mr. Ronald Hao Xi Ede, Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu, Dr. Kaixian Chen and Mr. Gary Zieziula as disclosed above, on individual basis.

3. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK$29.22.

3. 2018 RS Plan

The 2018 RS Plan was approved by the Shareholders on 15 October 2018 and terminated on 12 June 2020.

Purpose

The purpose of the 2018 RS Plan was to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

Eligible Participants

Any person who is a full-or part-time executive officer, senior vice president, department head, vice president or any other key contributor and employee of the Company or any subsidiary of the Company.

Maximum Number of Shares Available for Issue under the 2018 RS Plan

The total number of shares issued and may be issued by the Company within two years of the Listing for distribution of Shares corresponding to the restricted shares granted under the 2018 RS Plan shall not exceed 55,907,535 Shares.

As of the Latest Practicable Date, restricted shares representing 7,008,834 underlying Shares, being approximately 0.5% of the issued share capital of the Company, granted to eligible participants pursuant to the 2018 RS Plan remain unvested.

Maximum Entitlement for Each Participant

There is no specific limit on the maximum number of shares which may be granted to a single eligible participant under the 2018 RS Plan.

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the award agreement. Details of the vesting period of individual grants are stated in the table below.

Consideration

No consideration is required to be paid by the grantees for the grant of awards under the 2018 RS Plan.

Remaining Life of the 2018 RS Plan

The 2018 RS Plan was terminated in its entirety on 12 June 2020, the adoption date of the 2020 RS Plan. Nonetheless, the rights and obligations of the grantees and the Company with respect to the restricted Shares that have been granted or earmarked pursuant to the 2018 RS Plan on or before the date of termination as provided (or will be provided) in the relevant award agreements shall survive termination of the 2018 RS Plan and remain in full force and effect except otherwise provided for the relevant award agreements.

Further details of the 2018 RS Plan are set out in the Prospectus and Note 32 to the financial statements.

Details of the movements of the restricted shares granted under the 2018 RS Plan (which involves issuing new Shares) are as follows:

Name or category of grantee	Date of grant	Vesting Period	Unvested as of 1 January 2022	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of 31 December 2022	Closing price at date of grant	Weighted average closing price of the Shares immediately before the vesting date
Directors									
Dr. De-Chao Michael Yu	2 May 2019	5 years from the date of grant	4,141,078	(1,380,359)	–	–	2,760,719	HK$25.15	HK$25.15
	15 April 2020	4 years from the date of grant	1,450,000	–	–	–	1,450,000	HK$33.95	N/A
Mr. Ronald Hao Xi Ede	15 April 2020	4 years from the date of grant	320,000	–	–	–	320,000	HK$33.95	N/A
Employee Participants in aggregate	2 May 2019	4 years from the date of grant	794,190	(26,385)	(759,010)	–	8,795	HK$25.15	HK$25.15
	14 June 2019	4 years from the date of grant	60,000	(45,000)	–	–	15,000	HK$25.90	HK$25.80
	29 August 2019	4 years from the date of grant	130,000	(52,500)	(60,000)	–	17,500	HK$25.85	HK$34.90
	4 December 2019	4 years from the date of grant	160,000	(45,000)	(100,000)	–	15,000	HK$28.15	HK$27.75
	15 April 2020	4 years from the date of grant	2,909,808	–	(825,728)	–	2,084,080	HK$33.95	N/A
	11 June 2020	4 years from the date of grant	507,380	–	(63,840)	–	443,540	HK$47.80	N/A
Total			10,472,456	(1,549,244)	(1,808,578)	–	7,114,634		

Note: Employee Participants other than Dr. De-Chao Michael Yu, and Mr. Ronald Hao Xi Ede as disclosed above, on individual basis.

4. 2020 RS Plan

The 2020 RS Plan was approved by the Shareholders on 12 June 2020.

Purpose

The purpose of the 2020 RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

Eligible Participants

Any Person who is a full-or part-time executive officer, senior vice president, department head, vice president or other key contributor and employee of the Company or any subsidiary of the Company from time to time.

Maximum Number of Shares Available for Issue under the 2020 RS Plan

The total number of shares issued and may be issued by the Company within five years of 12 June 2020 for distribution of Shares corresponding to the restricted shares granted under the 2020 RS Plan shall not exceed 67,152,410 Shares.

As of 1 January 2022, 57,483,051 restricted shares were available for grant under the 2020 RS Plan. During the Reporting Period, 20,165,956 restricted shares were granted to eligible participants pursuant to the 2020 RS Plan. It follows that, as of 31 December 2022, 42,308,998 restricted shares (including those cancelled and lapsed during the Reporting Period) were available for grant under the 2020 RS Plan. As of the Latest Practicable Date, 23,271,549 restricted shares (representing approximately 1.5% of the issued share capital of the Company) were available for grant under the 2020 RS Plan.

Maximum Entitlement for Each Participant

Restricted shares may be granted to the Directors, provided that the total number of restricted shares granted to such Directors in aggregate shall not exceed 1% of the total number of Shares in issue as of the day of each subsequent annual general meeting of the Company, for the period between (i) such annual general meeting and (ii) the day before the following annual general meeting or the last day of the term of the Plan, whichever is earlier (each a "**Grant Period**"). The Company shall obtain independent shareholders' approval at each subsequent annual general meeting, being the first day of a Grant Period, for such grants of restricted shares during such Grant Period, and the issue and allotment of underlying shares.

Restricted shares may also be granted to independent non-executive Directors, provided that (i) the total number of restricted shares granted to any independent non-executive Director in each Grant Period shall not exceed 0.1% of the total number of Shares in issue as of the first day of such Grant Period; and (ii) the market value of such total number of restricted shares granted to any independent non-executive Director in each Grant Period shall not exceed HK$5,000,000 on any day of grant of restricted shares during such Grant Period.

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the award agreement. Details of the vesting period of individual grants are stated in the table below.

Consideration

No consideration is required to be paid by the grantees for the grant of awards under the 2020 RS Plan.

Remaining Life of the 2020 RS Plan

The 2020 RS Plan shall be valid and effective for the period of five years commencing on 12 June 2020. The remaining life of the 2020 RS Plan is approximately 2.5 years from 31 December 2022.

Further details of the 2020 RS Plan are set out in the announcement of the Company dated 27 May 2020 and the circular of the Company dated 28 May 2020. and Note 32 to the financial statements.

Details of the movements of the restricted shares granted under the 2020 RS Plan (to be satisfied by new Shares) are as follows:

Name or category of grantee	Date of grant	Vesting Period	Purchase price	Unvested as of 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of 31 December 2022	Closing price at date of grant	Fair value of Shares at the date of grant	Weighted average closing price of Shares immediately before the vesting date
Directors												
Dr. De-Chao Michael Yu	30 March 2021	4 years from the date of grant	Nil	725,000	–	–	–	–	725,000	HK$78.20	N/A	N/A
	30 March 2022	4 years from the date of grant	Nil	–	2,032,334	–	–	–	2,032,334	HK$30.60	HK$30.60[2]	N/A
Mr. Ronald Hao Xi Ede	30 March 2021	4 years from the date of grant	Nil	160,000	–	–	–	–	160,000	HK$78.20	N/A	N/A
	30 March 2022	4 years from the date of grant	Nil	–	560,644	–	–	–	560,644	HK$30.60	HK$30.60[2]	N/A
Dr. Charles Leland Cooney	30 March 2021	1 January 2022	Nil	1,845	–	(1,845)	–	–	–	HK$78.20	N/A	HK$48.25
	30 March 2022	33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025	Nil	–	4,828	–	–	–	4,828	HK$30.60	HK$30.60[2]	N/A
Ms. Joyce I-Yin Hsu	30 March 2021	1 January 2022	Nil	1,845	–	(1,845)	–	–	–	HK$78.20	N/A	HK$48.25
	30 March 2022	33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025	Nil	–	4,828	–	–	–	4,828	HK$30.60	HK$30.60[2]	N/A

Name or category of grantee	Date of grant	Vesting Period	Purchase price	Unvested as of 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of 31 December 2022	Closing price at date of grant	Fair value of Shares at the date of grant	Weighted average closing price of Shares immediately before the vesting date
Dr. Kaixian Chen	30 March 2021	1 January 2022	Nil	1,845	–	(1,845)	–	–	–	HK$78.20	N/A	HK$48.25
	30 March 2022	33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025	Nil	–	1,931	–	–	–	1,931	HK$30.60	HK$30.60[2]	N/A
Mr. Gary Zieiula	1 June 2022	33.33% shall vest on 1 June 2023; 33.33% shall vest on 1 June 2024; and 33.33% shall vest on 1 June 2025	Nil	–	14,631[1]	–	–	–	14,631	HK$24.30	HK$24.30[2]	N/A
Service Providers in aggregate	9 December 2022	4 years from the date of grant	Nil	–	930,000	–	–	–	930,000	HK$32.25	HK$32.25	N/A
Employee Participants[3] in aggregate	27 August 2020	4 years from the date of grant	Nil	200,000	–	–	(20,000)	–	180,000	HK$54.55	N/A	N/A
	3 December 2020	4 years from the date of grant	Nil	4,444,169	–	–	(15,000)	–	4,429,169	HK$53.90	N/A	N/A
	30 March 2021	4 years from the date of grant	Nil	1,995,232	–	–	(502,992)	–	1,492,240	HK$78.20	N/A	N/A
	23 June 2021	244,000 restricted shares; 6 years from the date of grant 429,587 restricted shares; 4 years from the date of grant	Nil	772,587	–	(21,129)	(439,758)	–	311,700	Hk$90.05	N/A	HK$31.55
	26 August 2021	4 years from the date of grant	Nil	211,000	–	–	(58,000)	–	153,000	HK$61.90	N/A	N/A
	6 December 2021	4 years from the date of grant	Nil	1,122,237	–	–	(758,637)	–	363,600	HK$61.80	N/A	N/A
	30 March 2022	4 years from the date of grant	Nil	–	15,851,353	–	(3,132,517)	–	12,718,836	HK$30.60	HK$30.60[2]	N/A
	8 July 2022	4 years from the date of grant	Nil	–	326,000	–	(45,000)	–	281,000	HK$36.80	HK$36.80[2]	N/A

Name or category of grantee	Date of grant	Vesting Period	Purchase price	Unvested as of 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as of 31 December 2022	Closing price at date of grant	Fair value of Shares at the date of grant	Weighted average closing price of Shares immediately before the vesting date
	29 August 2022	4 years from the date of grant	Nil	–	110,000	–	(20,000)	–	90,000	HK$32.80	HK$32.80[2]	N/A
	9 December 2022	4 years from the date of grant	Nil	–	329,407	–	–	–	329,407	HK$32.25	HK$32.25[2]	N/A
Total				9,635,760	20,165,956	(26,664)	(4,991,904)	–	24,783,148			

Notes:

(1) represents the proposed grant of aggregate of 14,631 Shares underlying Restricted Shares to Mr. Gary Zieziula, subject to the approval of independent shareholders of the Company at a general meeting to be held.

(2) The Company granted 20,165,956 restricted shares to directors and employees of the Group during the Reporting Period, which are measured at the fair value of the equity instruments at the grant date according to IFRS 2 Share-based payments.

The fair value of the equity-settled share-based payments was determined at the grant date without taking into consideration all non-market vesting conditions expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the Reporting Period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions.

(3) Employee Participants other than Dr. De-Chao Michael Yu, Mr. Ronald Hao Xi Ede, Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu, Dr. Kaixian Chen and Mr. Gary Zieziula as disclosed above, on individual basis.

Rectification of the discrepancy in the "Equity Plans" section in of the 2021 Interim Report and the 2021 Annual Report

During the preparation and finalization of the condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2022, the management of the Company identified some issues in relation to the calculation of share-based compensation expenses in prior year/period, specifically there is a discrepancy of outstanding share options and restricted shares between the financial statements and the actual balances as a result of a misunderstanding of the concept of "grant" and "forfeit" of the share options and restricted shares. Such discrepancy was mainly due to (1) certain share options and restricted shares approved by the Board to be granted to individuals were not actually granted in the end but had already been recorded in the underlying share-based payment schedule for share-based payment expenses calculation, and (2) certain forfeited share options and restricted shares were not recorded in the underlying share-based payment schedule for share-based payment expenses calculation. Due to the above, restatements and prior year adjustments have been made to the interim results of the Company for the six months ended 30 June 2021 and the annual results of the Company for the year ended 31 December 2021 and the Company has already disclosed the relevant financial impact on the consolidated financial statements for the six months ended 30 June 2021 and the year ended 31 December 2021 in the interim report for the six months ended 2022 and supplemental announcement dated 1 November 2022, respectively. Therefore, the Company believes that the key and material impact to the current statements has already been disclosed.

That said, the aforementioned discrepancy of the outstanding share options and restricted shares would only have an impact on the outstanding balances as at the beginning and ending of the period/year and movements of certain options/awards granted to grantees other than directors, senior management and connected persons in the "Equity Plans" disclosure in the interim report for the six months ended 30 June 2021 (the "**2021 Interim Report**") (pages 35 to 39) and annual report for the year ended 31 December 2021 (the "**2021 Annual Report**") (pages 50 to 56), but would not have any impact on the outstanding balances and movements of options/awards granted to directors, senior management and connected persons as disclosed in the 2021 Interim Report and 2021 Annual Report. Further, the Company has already revised the outstanding balance as at 1 January 2022 in the interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**") (pages 37 to 43), so no rectification is required for the 2022 Interim Report.

The following table illustrates the restated amount of the outstanding balances as at the beginning and ending period/year and movements of certain options/awards granted to grantees other than directors, senior management and connected persons in the "Equity Plans" disclosure in the 2021 Interim Report and 2021 Annual Report:

1. Pre-IPO Share Incentive Plan

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Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Number of options: Outstanding as of 1 January 2021	Exercised during the six months ended 30 June 2021	Cancelled during the six months ended 30 June 2021 *(Restated)*	Lapsed during the six months ended 30 June 2021	Outstanding as of 30 June 2021 *(Restated)*
Grantees other than Directors, senior management and connected persons									
In aggregate	Between 10 May 2012 and 9 October 2018	10 years from the date of grant	4 years to 6 years from the date of grant	Between US$0.017 and US$1.342	51,229,213	(3,677,000)	(365,000)	–	47,187,213
Total					51,229,213	(3,677,000)	(365,000)	–	47,187,213

Note: Save as disclosed above, no restatement is required for the other grants under the Pre-IPO share Incentive Plan.

2021 Annual Report

No restatement is required for the Pre-IPO Share Incentive Scheme as disclosed in the 2021 Annual Report.

2. Post-IPO ESOP

2021 Interim Report

Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Number of options: Outstanding as of 1 January 2021 *(Restated)*	Granted during the six months ended 30 June 2021 *(Restated)*	Exercised during the six months ended 30 June 2021 *(Restated)*	Cancelled during the six months ended 30 June 2021 *(Restated)*	Lapsed during the six months ended 30 June 2021 *(Restated)*	Outstanding as of 30 June 2021 *(Restated)*
Grantees other than Directors, senior management and connected persons										
	15 March 2019	10 years from the date of grant	740,990 options: 50% shall vest on 15 March 2024; and 50% shall vest on 15 March 2025; remaining Share options: 75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	8,066,818	–	–	(517,199)	–	7,549,619
	14 June 2019	10 years from the date of grant	75% shall vest on 14 June 2022; and 25% shall vest on 14 June 2023	HK$26.25	314,285	–	–	–	–	314,285
	29 August 2019	10 years from the date of grant	75% shall vest on 29 August 2022; and 25% shall vest on 29 August 2023	HK$25.85	171,429	–	–	–	–	171,429
	4 December 2019	10 years from the date of grant	75% shall vest on 4 December 2022; and 25% shall vest on 4 December 2023	HK$28.15	528,569	–	–	–	–	528,569
	15 April 2020	10 years from the date of grant	75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024	HK$33.95	11,783,923	–	–	(364,079)	–	11,419,844
	11 June 2020	10 years from the date of grant	75% shall vest on June 11, 2023; and 25% shall vest on June 11, 2024	HK$47.80	1,846,140	–	–	(97,259)	–	1,748,881

Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Number of options					
					Outstanding as of 1 January 2021 *(Restated)*	Granted during the six months ended 30 June 2021 *(Restated)*	Exercised during the six months ended 30 June 2021 *(Restated)*	Cancelled during the six months ended 30 June 2021 *(Restated)*	Lapsed during the six months ended 30 June 2021 *(Restated)*	Outstanding as of 30 June 2021 *(Restated)*
	27 August 2020	10 years from the date of grant	75% shall vest on 27 August 2023; and 25% shall vest on 27 August 2024	HK$54.55	299,997	–	–	(28,571)	–	271,426
	3 December 2020	10 years from the date of grant	75% shall vest on 3 December 2023; and 25% shall vest on 3 December 2024	HK$53.9	3,557,019	–	–	–	–	3,557,019
	30 March 2021	10 years from the date of grant	75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025	HK$78.20	–	8,778,600	–	(56,045)	–	8,722,555
	23 June 2021	10 years from the date of grant	75% shall vest on 23 June 2024; and 25% shall vest on 23 June 2025	HK$90.05	–	1,352,802	–	–	–	1,352,802
		10 years from the date of grant	50% shall vest on 23 June 2026; and 50% shall vest on 23 June 2027	HK$90.05	–	714,286	–	–	–	714,286
Total					26,568,180	10,845,688	–	(1,063,153)	–	36,350,715

Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Number of options					
					Outstanding as of 1 January 2021 *(Restated)*	Granted during the year ended 31 December 2021 *(Restated)*	Exercised during the year ended 31 December 2021 *(Restated)*	Cancelled during the year ended 31 December 2021 *(Restated)*	Lapsed during the year ended 31 December 2021 *(Restated)*	Outstanding as of 31 December 2021 *(Restated)*
Grantees other than Directors, senior management and connected persons										
	15 March 2019	10 years from the date of grant	740,990 options: 50% shall vest on 15 March 2024; and 50% shall vest on 15 March 2025; remaining Share options: 75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	8,066,818	–	–	(985,884)	–	7,080,934
	14 June 2019	10 years from the date of grant	75% shall vest on 14 June 2022; and 25% shall vest on 14 June 2023	HK$26.25	314,285	–	–	(28,571)	–	285,714
	29 August 2019	10 years from the date of grant	75% shall vest on 29 August 2022; and 25% shall vest on 29 August 2023	HK$25.85	171,429	–	–	–	–	171,429
	4 December 2019	10 years from the date of grant	75% shall vest on 4 December 2022; and 25% shall vest on 4 December 2023	HK$28.15	528,569	–	–	(28,571)	–	499,998
	15 April 2020	10 years from the date of grant	75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024	HK$33.95	11,783,923	–	–	(991,919)	–	10,792,004
	11 June 2020	10 years from the date of grant	75% shall vest on June 11, 2023; and 25% shall vest on June 11, 2024	HK$47.80	1,846,140	–	–	(318,234)	–	1,527,906
	27 August 2020	10 years from the date of grant	75% shall vest on 27 August 2023; and 25% shall vest on 27 August 2024	HK$54.55	299,997	–	–	(57,142)	–	242,855

Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Number of options					
					Outstanding as of 1 January 2021 *(Restated)*	Granted during the year ended 31 December 2021 *(Restated)*	Exercised during the year ended 31 December 2021 *(Restated)*	Cancelled during the year ended 31 December 2021 *(Restated)*	Lapsed during the year ended 31 December 2021 *(Restated)*	Outstanding as of 31 December 2021 *(Restated)*
	3 December 2020	10 years from the date of grant	75% shall vest on 3 December 2023; and 25% shall vest on 3 December 2024	HK$53.9	3,557,019	–	–	(85,713)	–	3,471,306
	30 March 2021	10 years from the date of grant	75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025	HK$78.20	–	8,778,600	–	(735,519)	–	8,043,081
	23 June 2021	10 years from the date of grant	75% shall vest on 23 June 2024; and 25% shall vest on 23 June 2025	HK$90.05	–	1,352,802	–	(110,800)	–	1,242,002
		10 years from the date of grant	50% shall vest on 23 June, 2026; and 50% shall vest on 23 June 2027	HK$90.05	–	714,286	–	(22,857)	–	691,429
	26 August 2021	10 years from the date of grant	75% shall vest on 26 August 2024; and 25% shall vest on 26 August 2025	HK$64.69	–	304,142	–	(42,857)	–	261,285
	6 December 2021	10 years from the date of grant	75% shall vest on 6 December 2024; and 25% shall vest on 6 December 2025	HK$68.51	–	1,080,068	–	–	–	1,080,068
Total					26,568,180	12,229,898	–	(3,408,067)	–	35,390,011

Save as disclosed above, no restatement is required for the other grants under the Post-IPO ESOP.

3. 2018 RS Plan

2021 Interim Report

Name or category of grantee	Date of grant	Vesting Period	Unvested as of 1 January 2021 *(Restated)*	Vested during the six months ended 30 June 2021 *(Restated)*	Cancelled during the six months ended 30 June 2021 *(Restated)*	Lapsed during the six months ended 30 June 2021 *(Restated)*	Unvested as of 30 June 2021 *(Restated)*	Closing price at date of grant
Grantees other than Directors, senior management and connected persons								
	2 May 2019	759,010 restricted shares: 6 years from the date of grant 35,180 restricted shares: 4 years from the date of grant	794,190	–	–	–	794,190	HK$25.15
	14 June 2019	4 years from the date of grant	60,000	–	–	–	60,000	HK$25.90
	29 August 2019	4 years from the date of grant	130,000	–	–	–	130,000	HK$25.85
	4 December 2019	4 years from the date of grant	180,000	–	–	–	180,000	HK$28.15
	15 April 2020	4 years from the date of grant	3,204,944	–	(126,064)	–	3,078,880	HK$33.95
	11 June 2020	4 years from the date of grant	578,070	–	(17,020)	–	561,050	HK$47.80
Total			4,947,204	–	(143,084)	–	4,804,120	

Name or category of grantee	Date of grant	Vesting Period	Unvested as of 1 January 2021 *(Restated)*	Vested during the year ended 31 December 2021 *(Restated)*	Cancelled during the year ended 31 December 2021 *(Restated)*	Lapsed during the year ended 31 December 2021 *(Restated)*	Unvested as of 31 December 2021 *(Restated)*	Closing price at date of grant
Grantees other than Directors, senior management and connected persons								
	2 May 2019	759,010 restricted shares: 6 years from the date of grant 35,180 restricted shares: 4 years from the date of grant	794,190	–	–	–	794,190	HK$25.15
	14 June 2019	4 years from the date of grant	60,000	–	–	–	60,000	HK$25.90
	29 August 2019	4 years from the date of grant	130,000	–	–	–	130,000	HK$25.85
	4 December 2019	4 years from the date of grant	180,000	–	(20,000)	–	160,000	HK$28.15
	15 April 2020	4 years from the date of grant	3,204,944	–	(295,136)	–	2,909,808	HK$33.95
	11 June 2020	4 years from the date of grant	578,070	–	(70,690)	–	507,380	HK$47.80
Total			4,947,204	–	(385,826)	–	4,561,378	

Save as disclosed above, no restatement is required for other grants under the 2018 RS Plan.

4. 2020 RS Plan

2021 Interim Report

Name or category of grantee	Date of grant	Vesting Period	Unvested as of 1 January 2021 *(Restated)*	Granted during the six months ended 30 June 2021 *(Restated)*	Vested during the six months ended 30 June 2021 *(Restated)*	Cancelled during the six months ended 30 June 2021 *(Restated)*	Lapsed during the six months ended 30 June 2021 *(Restated)*	Unvested as of 30 June 2021 *(Restated)*	Closing price at date of grant
Grantees other than Directors, senior management and connected persons									
	27 August 2020	4 years from the date of grant	240,000	–	–	(20,000)	–	220,000	HK$54.55
	3 December 2020	4 years from the date of grant	4,504,169	–	–	–	–	4,504,169	HK$53.90
	30 March 2021	4 years from the date of grant	–	2,151,548	–	(10,900)	–	2,140,648	HK$78.20
	23 June 2021	256,000 restricted shares; 6 years from the date of grant 580,087 restricted shares; 4 years from the date of grant	–	836,087	–	–	–	836,087	HK$90.05
Total			4,744,169	2,987,635	–	(30,900)	–	7,700,904	

Name or category of grantee	Date of grant	Vesting Period	Unvested as of 1 January 2021 *(Restated)*	Granted during the year ended 31 December 2021 *(Restated)*	Vested during the year ended 31 December 2021 *(Restated)*	Cancelled during the year ended 31 December 2021 *(Restated)*	Lapsed during the year ended 31 December 2021 *(Restated)*	Unvested as of 31 December 2021 *(Restated)*	Closing price at date of grant
Grantees other than Directors, senior management and connected persons									
	27 August 2020	4 years from the date of grant	240,000	–	–	(40,000)	–	200,000	HK$54.55
	3 December 2020	4 years from the date of grant	4,504,169	–	–	(60,000)	–	4,444,169	HK$53.90
	30 March 2021	4 years from the date of grant	–	2,151,548	–	(156,316)	–	1,995,232	HK$78.20
	23 June 2021	252,000 restricted shares; 6 years from the date of grant 520,587 restricted shares; 4 years from the date of grant	–	836,087	–	(63,500)	–	772,587	HK$90.05
	26 August 2021	4 years from the date of grant	–	241,000	–	(30,000)	–	211,000	HK$61.90
	6 December 2021	4 years from the date of grant	–	1,159,037	(36,800)	–	–	1,122,237	HK$61.80
Total			4,744,169	4,387,672	(36,800)	(349,816)	–	8,745,225	

Save as disclosed above, no restatement is required for other grants under the 2020 RS Plan.

Directors' Rights to Acquire Shares or Debenture

Save as disclosed in this annual report, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the 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 equity or debt securities of the Company or any other body corporate, or had exercised any such right.

Emolument Policy and Directors' Remuneration

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Equity Plans. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 11, respectively to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the year ended 31 December 2022, directors were granted discretionary bonuses of a total sum of RMB7.7 million excluding the special bonus set out in Note 21 to the consolidated financial statements (equivalent to approximately 17 months of their base salary). Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended 31 December 2022.

Directors' Interests in Competing Business

During the year ended 31 December 2022, none of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Continuing Connected Transactions

The Group has no non-exempt continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended 31 December 2022. Details of related party transactions of the Group for the year ended 31 December 2022 are set out in Note 34A to the consolidated financial statements.

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

Save as disclosed in this annual report under the section "Share Capital and Shares Issued", neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Material Litigation

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2022.

Use of Net Proceeds

(a) Use of Net Proceeds from the July 2020 Placing

The placing of new shares pursuant to the placing agreement dated 23 July 2020 (the "**July 2020 Placing Agreement**") was completed on 30 July 2020 (the "**July 2020 Placing**"). An aggregate of 56,200,000 new placing shares representing approximately 4.02% of the enlarged issued share capital of the Company immediately after the completion of the July 2020 Placing, were successfully placed to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company.

The placing price of HK$50.00 represents: (i) a discount of approximately 4.67% to the closing price of HK$52.45 per Share as quoted on the Stock Exchange on 22 July 2020, being the day prior to the date of the July 2020 Placing Agreement; and (ii) a discount of approximately 3.85% to the average closing price of HK$52.00 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the July 2020 Placing Agreement.

The net proceeds raised from the July 2020 Placing were approximately HK$2,787.5 million (approximately RMB2,514.2 million). The net proceeds have been and will be utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the July 2020 Placing, that is, (i) to build our second production facility in Suzhou for TYVYT® (sintilimab injection) and additional capacity commensurate with our growth, (ii) to fund increased international clinical trial needs with expansion of our research & development laboratories, and (iii) for general corporate use, as appropriate.

As at 31 December 2022, approximately RMB2,256.7 million of the net proceeds of the July 2020 Placing had been utilized in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the July 2020 Placing, and RMB257.5 million remained unutilized. The table below sets out the use of proceeds from the July 2020 Placing as of 31 December 2022:

Use of net proceeds from the July 2020 Placing as disclosed in the Company's announcements relating to the July 2020 Placing	Utilisation as at 1 January 2022 RMB million	Unutilised as at 1 January 2022 RMB million	**Utilisation during the year ended 31 December 2022 RMB million**	**Unutilised as at 31 December 2022 RMB million**
Building a second production facility in Suzhou for TYVYT® (sintilimab injection) and additional capacity commensurate with our growth	842.9	288.5	**191.9**	**96.6**
Funding increased international clinical trial needs with expansion of research& development laboratories	127.7	375.1	**214.2**	**160.9**
General corporate use	421.3	458.7	**458.7**	**–**
	1,391.9	1,122.3	**864.8**	**257.5**

There was no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes within the upcoming 6 months. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

(b) Use of Net Proceeds from the January 2021 Placing

The placing of new shares pursuant to the placing agreement dated 15 January 2021 was completed on 22 January 2021 (the "**January 2021 Placing**"). The net proceeds raised from the January 2021 Placing were approximately HK$4,670.6 million (approximately RMB3,893.3 million). The net proceeds will be utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the January 2021 Placing, with the allocation being as follows: (i) approximately 70.0% will be for expediting the investment and development of various clinical programs for our leading innovative products globally and funding potential product licensing and possible mergers and acquisitions activities; and (ii) the remaining 30.0% will be for further expanding the production capacity and for working capital and other general corporate use.

As at 31 December 2022, approximately RMB3,411.4 million of the net proceeds of the January 2021 Placing had been utilized in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the January 2021 Placing, and RMB481.9 million remained unutilised. The table below sets out the use of proceeds from the January 2021 Placing as at 31 December 2022:

Use of net proceeds from the January 2021 Placing as disclosed in the Company's announcements relating to the January 2021 Placing	Utilisation as at 1 January 2022 RMB million	Unutilised as at 1 January 2022 RMB million	**Utilisation during the year ended 31 December 2022 RMB million**	**Unutilised as at 31 December 2022 RMB million**
Expediting the investment and development of various clinical programs for our leading innovative products globally	566.4	1,769.6	**1,769.6**	**–**
Funding potential product licensing and possible mergers	696.5	82.2	**82.2**	**–**
Further expanding the production capacity	–	389.3	**109.7**	**279.6**
Working capital and other general corporate use	–	389.3	**187.0**	**202.3**
	1262.9	2,630.4	**2,148.5**	**481.9**

There was no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes within the upcoming 24 months. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

(c) Use of Net Proceeds from the Subscription

The Subscription was completed on 18 August 2022. The net proceeds raised from the Subscription were approximately HK$2,416.7 million (approximately RMB2,089.0 million). The net proceeds will be utilised in accordance with the intended use of proceeds as previously disclosed in the Subscription Announcements with the allocation being as follows: (i) approximately 70.0% for expediting the R&D of various pre-clinical and clinical programs in our pipeline globally; (ii) approximately 20.0% for further expanding our production capacity; and (iii) the remaining 10.0% for funding potential in-licensing deal, potential merger & acquisition ("**M&A**") activities, working capital and other general corporate use.

As at 31 December 2022, approximately RMB601 million of the net proceeds of the Subscription had been utilized in accordance with the intended use of proceeds as previously disclosed in the Subscription Announcements, and RMB1,488.0 million remained unutilised. The table below sets out the use of proceeds from the Subscription as at 31 December 2022:

Use of net proceeds from the first tranche as disclosed in the Subscription Announcements	% of use of proceeds	Net proceeds RMB million	**Utilisation from 18 August 2022 to 31 December 2022 RMB million**	**Unutilised as at 31 December 2022 RMB million**
Expediting the R&D of various pre-clinical and clinical programs in our pipeline globally	70.0%	1,462.3	**392.1**	**1,070.2**
Further expanding our production capacity	20.0%	417.8	**–**	**417.8**
Funding potential in-licensing deal, potential M&A activities, working capital and other general corporate use	10.0%	208.9	**208.9**	**–**
Total		2,089.0	**601.0**	**1,488.0**

There was no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes within the upcoming 56 months. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company has maintained the prescribed percentage of public float under the Listing Rules.

Auditor

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, Registered Public Interest Entity Auditors, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

Important Events after the Reporting Date

Save as disclosed in this annual report, no important events affecting the Company occurred since the end of the Reporting Period and up to the Latest Practicable Date.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

By the order of the Board
Dr. De-Chao Michael Yu
Chairman

Hong Kong
21 April 2023

The Board consists of the following Directors:

Directors

Executive Directors

Dr. De-Chao Michael Yu ("Dr. Yu"), aged 59, is the founder, an executive director, the Chairman of the Board, the Chief Executive Officer of the Company, the Chairman of each of the Nomination Committee and Strategy Committee and a member of the Remuneration Committee. He founded the Group on 28 April 2011 and is responsible for the overall strategic planning and business direction of our Group and management of the Company. Dr. Yu received his doctoral degree in Molecular Genetics from the Chinese Academy of Sciences (Shanghai, China) and completed his postdoctoral training at the University of California San Francisco (San Francisco, USA). Prior to founding Innovent, Dr. Yu was the President, Chief Executive Officer and a member of the Board of Directors of Chengdu Kanghong Biotech Co. Ltd. from 2006 to 2010. Previously, Dr. Yu was the vice president of research and development at Applied Genetic Technology Corporation (a company subsequently listed on the NASDAQ with ticker symbol: AGTC) in 2005. Between 1997 and 2001, Dr. Yu was the vice president of Calydon, Inc. which was later acquired by Cell Genesys, Inc. (a company subsequently listed on the NASDAQ with ticker symbol: CEGE), and worked there till 2005 mainly responsible for a significant part of the company's early R&D.

Dr. Yu has always aspired to develop and commercialize high-quality biopharmaceuticals that are affordable for ordinary people. He has at present been engaged in innovative research on biopharmaceuticals for more than 20 years, has invented three Class I new drugs and been key to their success. Dr. Yu invented the world's first commercialized oncolytic virus-based immunotherapeutic product, Oncorine® (recombinant human type-5 adenovirus injection), creating a precedent for the use of viruses to treat tumors. Dr. Yu co-invented and led the development of Langmu® (Conbercept eye injection), and TYVYT® (sintilimab injection), an innovative PD-1 inhibitor for relapsed or refractory classical Hodgkin's lymphoma (r/r cHL), 1L Nsq NSCLC, 1L sq NSCLC, 1L HCC, 1L ESCC and 1L GC.

Dr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. Dr. Yu has been an independent non-executive director of Cheerwin Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 6601) from February 2021 to October 2022, an independent non-executive director of BabyTree Group (a company listed on Main Board of the Stock Exchange with stock code: 1761) since June 2018 and served as an independent director at PharmaBlock Sciences (Nanjing), Inc. (a company listed on the Shenzhen Stock Exchange with stock code: 300725) from December 2015 to May 2018.

Mr. Ronald Hao Xi Ede ("Mr. Ede"), aged 64, is an executive Director, the Chief Financial Officer and a member of the Strategy Committee of the Company. Mr. Ede joined the Group on 1 January 2018 and is responsible for finance, investor relations, information technology and channel management of our Group. Prior to joining the Group, between 2011 and 2016, Mr. Ede was the chief financial officer of Biosensors International Ltd. Between 2009 and 2011, Mr. Ede was the chief financial officer of Mindray Medical International Limited. Mr. Ede is a fellow member of the Institute of Singapore Chartered Accountants and an A-Share independent director certified by the Shenzhen Stock Exchange. Mr. Ede received his bachelor of business administration degree from the University of Hawaii in December 1984 and a master of business administration degree from the University of Washington in December 1988. Mr. Ede has held directorships in the following listed companies outside of the Group:

- Mindray Medical International Limited (a company previously listed on the New York Stock Exchange (the "**NYSE**") and is currently listed on the Shenzhen Stock Exchange with stock code: 300760) as an independent non-executive director since 2006; and resigned as an independent non-executive director in 2016 after the company was privatized from the NYSE. In 2017, he rejoined the board as an independent non-executive director for Mindray; and

- Dawnrays Pharmaceutical (Holding) Ltd. (a company listed on the Stock Exchange with stock code: 2348) as a non-executive director since 2015. In 2017, Mr. Ede was re-designated as an independent non-executive director.

Independent Non-executive Directors

Dr. Charles Leland Cooney ("Dr. Cooney"), aged 78, is an independent non-executive Director, a member of each of the Audit Committee, Nomination Committee and the Strategy Committee of the Company. Dr. Cooney was appointed to the Board o on 18 October 2015 and is responsible for providing independent opinion and judgment to the Board. Dr. Cooney joined the faculty of the Massachusetts Institute of Technology as an assistant professor in 1970, becoming full professor in 1982. His teaching focuses on the bioprocess development and manufacturing and technological innovation, and his research interests include biochemical engineering and pharmaceutical manufacturing. From 2002 to 2014, Dr. Cooney was the founding Faculty Director of the Deshpande Center for Technological Innovation.

Dr. Cooney is a consultant to multiple biotech and pharmaceutical companies and sits on the boards of Codiak BioScience (a company listed on the NASDAQ with the symbol CDAK) and sits on the boards of private companies such as GreenLight Bioscience and LayerBio, and is an adviser to the Singapore MIT Alliance for Research and Technology (SMART) Innovation Center. Dr. Cooney served as an independent non-executive director of Polypore International (a company listed on the NASDAQ with ticker symbol: PPO), and Biocon Limited (a company listed on the NYSE with ticker symbol: BIOCON and on the Bombay Stock Exchange with stock code: 532523).

Dr. Cooney received his bachelor of science degree in chemical engineering from the University of Pennsylvania in June 1966, and his master of science and doctor of philosophy degrees in biochemical engineering from the Massachusetts Institute of Technology in September 1967 and February 1970, respectively.

Ms. Joyce I-Yin Hsu ("Ms. Hsu"), aged 48, is an independent non-executive Director, the chairman of each of the Audit Committee and Remuneration Committee of the Company. Ms. Hsu was appointed to the Board of the Company on 18 October 2018 and is responsible for providing independent opinion and judgment to the Board. She currently acts as a partner of Cornell Capital and has been involved in since its founding in 2013 towards the sourcing, evaluation, execution and ownership of investments, including strategies for cross-border expansion.

Ms. Hsu holds directorship in Lorom Holding Co., Ltd., a private company. Ms. Hsu was a partner at Zoyi Capital from 2013 to 2015, being mainly responsible for investments and portfolio company monitoring. Prior to this, Ms. Hsu served as chief financial officer and director at Mindray between 2006 and 2009, leading Mindray through its NYSE IPO in 2006 and subsequently two overseas acquisitions in 2008 and 2013. She subsequently acted as the sole adviser of Mindray on its delisting and private placement in 2016. Before that, Ms. Hsu was an executive director at Goldman Sachs Asia between 1998 and 2006, where she led the investment efforts in a number of successful deals in China including Focus Media Holding Limited, China Yurun Food Group Limited, and Mindray Medical International Limited, she was also heavily involved in the investments of C&M Communications in Korea and Japan Telecom in Japan

Ms. Hsu received her bachelor of science in business administration degree from the University of California at Berkeley in May 1998.

Dr. Kaixian Chen ("Dr. Chen"), aged 77, is an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr. Chen was appointed to the Board of the Company on 18 October 2018 and is responsible for providing independent opinion and judgment to the Board. Dr. Chen has been a professor of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, since 1990, served as its director between 1996 and 2004, and has served as director of its degree committee between 2014 and May 2019. Dr. Chen has also been a professor of the Shanghai University of Traditional Chinese Medicine since 2005, served as its president from 2005 to 2014, and has served as chairman of its academic committee since 2014.

Dr. Chen holds professional memberships and qualifications in different capacities in numerous organizations in the PRC, including the below:

- as an Academician of the Chinese Academy of Sciences (中國科學院) since 1999;
- as deputy president of the Chinese Pharmaceutical Association (中國藥學會) from 2007 to 2017, and the Director of the Division of Medicinal Chemistry, CPA (中國藥學會藥物化學專業委員會) from 2007 to 2020; chairman of the board of supervisors, CPA (中國藥學會監事會) from 2017 to 2022, and honorary chairman of the CPA since 2022;
- as member of the general expert group of the National Science and Technology Major Project "Innovative Drug Research & Development" (國家重大科技專項《重大新藥創製》) since 2008, and the deputy chief scientific and technical officer since 2016;
- as chairman of the Shanghai Association for Science and Technology (上海市科學技術協會) from 2011 to 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) since 2015; and
- as executive member and deputy director 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 listed on the 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 listed on the NASDAQ with ticker symbol: ZLAB and the Stock Exchange with stock code: 9688) since 2018, and as an independent non-executive director of Jiangsu Kanion Pharmaceutical Co. Ltd. (a company listed on Shanghai Stock Exchange with stock code: 600557) since December 2019, and is appointed as independent non-executive director of InnoCare Pharma Limited (a company listed on the Stock Exchange with stock code: 09969) since March 2020.

Dr. Chen received his bachelor's degree in radiochemistry from Fudan University in August 1968, and his degree of Master of Science (MSC) and degree of Doctor of science (Ph.D.) from the Shanghai Institute of Material Medical, Chinese Academy of Sciences in February 1982 and February 1985, respectively.

Mr. Gary Zieziula ("Mr. Zieziula"), aged 68, is an independent non-executive Director, a member of each of the Audit Committee and the Strategy Committee of the Company.

Mr. Zieziula has over 40 years of sales and operations experience in the pharmaceutical industry and had worked for industry leaders across Europe and North America. He is currently the president of Kyowa Kirin USA Holdings, Inc., the North America Region Headquarters of Kyowa Kirin Co., Ltd, a company listed on the Tokyo Stock Exchange (stock code 4151), and has been in the position since April 2020. Mr. Zieziula served as non-executive director on the Kyowa Kirin USA Holdings, Inc.'s board of directors from June 2019 to April 2020, and continues to serve on the company's board of directors in his executive role. Mr. Zieziula previously had worked for EMD Serono, a North American pharmaceutical company and subsidiary of Merck KGaA, as the chief commercial officer from January 2014 to January 2016, and the president and managing director from January 2016 to January 2019. He has been an independent provider of executive advisory services to pharmaceutical and biotech companies from December 2012 to January 2014. Mr. Zieziula served as the chief commercial officer and the executive vice president of AMAG Pharmaceuticals, Inc., a pharmaceutical company specializing in the development of iron deficiency products listed on NASDAQ, from April 2010 to December 2012. Prior to that, he worked for Roche Laboratories Inc. ("**Roche**"), a leading global pharmaceutical and biotechnology company. In October 2001, Mr. Zieziula started his career at Roche as the vice president of primary care sales, in July 2002, Mr. Zieziula was promoted to vice president of sales and marketing services and joined the North American Operating Committee and from July 2003 to June 2008, Mr. Zieziula served as Head of Commercial Operations for Specialty Care Products. In June 2008, Mr. Zieziula gained international experience as Managing Director of Roche Hellas in Greece. From June 1998 to October 2001, he served as the vice president in managed healthcare sales and marketing for Bristol Myers Squibb, a pharmaceutical manufacturer listed on the New York Stock Exchange. Prior to that, Mr. Zieziula spent 16 years at Merck & Co. where he had positions of increasing responsibility in sales and marketing.

Mr. Zieziula holds a bachelor of science degree from the State University of New York at Buffalo in the United States in 1976 and a master of business administration degree from Canisius College in the United States in 1983.

Senior Management

Dr. De-Chao Michael Yu, ("Dr. Yu"), aged 59, is an executive Director, the Chairman of the Board and Chief Executive Officer of our Company. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Mr. Ronald Hao Xi Ede ("Mr. Ede"), aged 64, is an executive Director and the Chief Financial Officer of our Company. For further details, please see the paragraphs headed "Executive Directors" in "Directors" section.

Joint Company Secretaries

Ms. Yanju Wang ("Ms. Wang"), aged 34, was appointed as our joint company secretary on 4 June 2018. She joined the Group in October 2015.

Ms. Wang received her bachelor in management degree from the Nanjing University of Posts and Telecommunications in June 2012, her master of economics degree from Jiangsu University in June 2015 and master of corporate governance from Hong Kong Metropolitan University in April 2023. She obtained an accounting qualification certificate in August, 2014 and a banking qualification certificate in October, 2014.

Ms. Lok Yee Chan ("Ms. Chan"), aged 33, was appointed as our joint company secretary on 4 June 2018. She joined Vistra Corporate Services (HK) Limited in 2016 and is a Manager of Corporate Services. Ms. Chan has over nine years of experience in providing a full range of company secretarial and compliance services and is currently serving a portfolio of clients including public listed companies and private companies.

Ms. Chan obtained a bachelor of arts from the Hong Kong Polytechnic University in October 2011 and a master of science in Professional Accounting and Corporate Governance in July 2015 from City University of Hong Kong.

She has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) in the United Kingdom since 2015.

Changes to Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors during the Reporting Period are set out below:

1. Mr. Shuyun Chen has tendered his resignation as a non-executive Director, a member of the Audit Committee and the Strategy Committee with effect from 25 February 2022.

2. Dr. Charles Leland Cooney, an independent non-executive Director, has been appointed as a member of the Audit Committee with effect from 25 February 2022.

3. Mr. Gary Zieziula has been appointed as an independent non-executive Director and a member of the Audit Committee and the Strategy Committee with effect from 1 June 2022.

Save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 December 2022.

Corporate Governance Practices

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.

During the year ended 31 December 2022, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the following deviation:

Pursuant to code provision C.2.1 of the Corporate Governance 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, the executive Director, currently performs these two roles. Details will be set out in section head "Chairman and Chief Executive".

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

Model Code for Securities Transactions

The Company has adopted the Model Code as its own 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 2022. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the year ended 31 December 2022.

Board of Directors

Board Composition

As at the Latest Practicable Date, the Board comprises two executive Directors and four independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Dr. De-Chao Michael Yu
(Chairman of the Board and Chief Executive Officer)
Mr. Ronald Hao Xi Ede

Independent non-executive Directors

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen
Mr. Gary Zieziula

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 81 to 85 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate 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, the 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.

Board Meetings, Committee Meetings and General Meetings

Code provision C.5.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

A summary of the attendance record of the Directors at Board meetings and committee meetings during Reporting Period is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held for the year ended 31 December 2022					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Annual General Meeting
Executive Directors:						
Dr. De-Chao Michael Yu	6/6	N/A	1/1	1/1	1/1	1/1
Mr. Ronald Hao Xi Ede	6/6	N/A	N/A	N/A	1/1	1/1
Non-executive Director:						
Mr. Shuyun Chen[1]	1/6	0/2	N/A	N/A	0/1	0/1
Independent Non-executive Directors:						
Dr. Charles Leland Cooney[2]	6/6	2/2	N/A	1/1	1/1	1/1
Ms. Joyce I-Yin Hsu	5/6	2/2	1/1	N/A	N/A	1/1
Dr. Kaixian Chen	5/6	2/2	1/1	1/1	N/A	1/1
Mr. Gary Zieziula[3]	3/6	1/2	N/A	N/A	1/1	1/1

Notes:

(1) Mr. Shuyun Chen resigned as the non-executive Director and the members of the Audit Committee and the Strategy Committee with effect on 25 February 2022.

(2) Dr. Charles Leland Cooney was appointed as the member of the Audit Committee with effect on 25 February 2022.

(3) Mr. Gary Zieziula was appointed as the independent non-executive Director and the member of the Audit Committee and the Strategy Committee with effect on 1 June, 2022.

Apart from regular Board Meetings, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the year.

Independence of Independent Non-Executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors and independent non-executive Directors has entered into a service agreement or a letter of appointment with the Company, the term of service for each of them is three years from the date of appointment.

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Pursuant to the Articles of Association, 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 and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

Accordingly, the following Directors, Mr. Ronald Hao Xi Ede and Dr. Charles Leland Cooney shall retire at the AGM and, being eligible, will offer themselves for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including 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.

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 Board would regularly review the contribution required from each Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performs them.

The Board reserves for its decision 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 Group's senior management whom are responsible for overseeing the general operation, business development, finance, marketing, and operations.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

Board Committees

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprise of four independent non-executive Directors, namely Ms. Joyce I-Yin Hsu, Dr. Kaixian Chen, Dr. Charles Leland Cooney and Mr. Gary Zieziula. Ms. Hsu is the chairwoman of the Audit Committee. Mr. Shuyun Chen resigned as the member of the Audit Committee with effect on 25 February 2022. Dr. Charles Leland Cooney was appointed as the member of the Audit Committee on 25 February 2022 and Mr. Gary Zieziula was appointed as the member of the Audit Committee on 1 June 2022.

The primary duties of the Audit Committee are to review and supervise the financial reporting, risk management and internal controls system and the ESG issues of the Group, review and approve connected transactions and to advise the Board. The terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The Audit Committee held 2 meetings during the Reporting Period. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and reports, the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the financial controls system and engagement of non-audit services;
- reviewed the risk management and internal control and compliance systems, the effectiveness of the internal audit function and discussed with the management and internal audit on their findings;

- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company;
- reported to the Board on the matters in the CG Code; and
- supervised the Company's ESG issues and evaluated the performance.

The Audit Committee also met Deloitte Touche Tohmatsu, the external auditors of the Company.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference (which was revised by a resolution of the Board on 30 December 2022 with effect on the same day), in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee comprises one executive Director, namely Dr. De-Chao Michael Yu, and two independent non-executive Directors, namely Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen. Ms. Hsu is the chairwoman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The Remuneration and Assessment Committee held 1 meeting during the Reporting Period. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- determined the policy for the remuneration of executive directors;
- assessed performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee;
- made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- reviewed and made recommendations to the Board on the remuneration of the independent non-executive Directors;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management;
- reviewed and made recommendations to the Company on the organization structure, team building and human resources development strategy;
- reviewed and made recommendations to the Board on the Company's RS and option grant plan to the key talents in 2022; and
- reviewed and made recommendations to the Board on the rectification of the discrepancy in the "Eguity Plans" section in the 2021 Interim Report and the 2021 Annual Report.

Directors' remuneration policy

The remuneration of Directors comprises an annual directors' fee and may also be entitled to options and/or awards under the rules of the share option scheme or share award scheme adopted by the Company from time to time. Such remuneration is determined and recommended by the Remuneration Committee with reference to the respective Directors' duties and responsibilities with the Company, the Company's remuneration policy (as disclosed in this annual report) and the prevailing market conditions.

Details of the Directors' remuneration for the year ended 31 December 2022 are set out in Note 11 to the consolidated financial statements. The senior management of the Group comprise of Dr. Yu and Mr. Ede (who are also DIrectors), details of their remuneration for the year ended 31 December 2022 are set out in Note 11 to the consolidated financial statement.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The Nomination Committee comprises one executive Director, namely Dr. De-Chao Michael Yu, and two independent non-executive Directors, namely Dr. Charles Leland Cooney and Dr. Kaixian Chen. Dr. Yu is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

The Nomination Committee held 1 meeting during the Reporting Period. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- reviewed and determined the Board diversity policy and the Director nomination policy;
- assessed the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the re-election of Directors;
- reviewed the structure, size and composition of the Board; and
- reviewed new director candidate and proposed to the Board for appointment.

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, details of which will be set out in the section headed "Board Diversity Policy".

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board. The details of which will be set out in the section headed "Director Nomination Policy".

Strategy Committee

The Company has established a Strategy Committee. The Strategy Committee comprises two executive Directors, namely Dr. De-Chao Michael Yu and Mr. Ronald Hao Xi Ede, and two independent non-executive Directors namely Dr. Charles Leland Cooney and Mr. Gary Zieziula. Dr. Yu is the chairman of the Strategy Committee. Mr. Shuyun Chen resigned as non-executive Director and the member of the Strategy Committee with effect on 25 February 2022. Mr. Gary Zieziula was appointed as the member of the Strategy Committee with effect on 1 June 2022.

The primary duties of the Strategy Committee are to provide strategic guidance and advice in relation to the Company's business development.

The Strategy Committee held 1 meeting during the Reporting Period. The following is a summary of work performed by the Committee during the Reporting Period:

- reviewed the Company's strategy management system and long-term goals, and provide improving advices; and
- review the Company's commercial model, R&D strategy and business development strategy and provide strategies guidance.

Company's Culture

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its Purpose, Mission, Vision, strategy and core values.

During 2022, the Company continued to strengthen its cultural framework by focusing on the following:

- Mission: To develop and commercialize high-quality biopharmaceuticals that are affordable to ordinary people.
- Vision: To be one of the world's leading biopharmaceutical companies.
- Strategy: Driven by innovation, developed through globalization.
- Values: Integrity, Learning Agility, Dedication and Cooperation.

The Board sets and promotes the above corporate culture and expects and requires all employees to reinforce such culture. All of our new employees are required to attend orientation and training programs so that they have a better understanding of our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. The Company established Innovent College that has developed a series of programs to train our employees and management. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Company also rewards employees and teams with outstanding performance not only based on business performance but also based on core values. Through these approaches, the management and employees integrate their development with the realization of the Company's mission and vision, which do contribute to the Company's performance and growth.

The Board annually reviews the Company's business model, strategy and goals and evaluate the performance to ensure the long-term sustainable development of the Company. The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") in accordance with the Corporate Governance Code, which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to maintain the Company's competitive advantage and enhance its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Nomination Committee will discuss and agree periodically on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption.

At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

During the Reporting Period, the Board has reviewed and considered the implementation of the Diversity Policy to be effective. The Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors from a diversed age group with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, internal control, biopharmaceuticals R&D, medicinal chemistry, CMC, sales and marketing, investment management and finance. They obtained degrees in various areas including business administration, molecular genetics, biochemical engineering and material medical. Gender diversity of the Board stands at 16.67%, representing one female out of six Directors. The Board targets to maintain at least the current level of female representation and will continue to regularly review the number of female representation on the Board with the ultimate goal of achieving gender diversity.

In addition, the Board diversity has been embedded in the Directors nomination process and criteria and Board succession planning considerations to further enhance the Board diversity.

Workforce Diversity

The total gender diversity of the Group is balanced, at 50.13%, representing 2,654 females out of 5,294 employees (including senior management). The Group has a strong focus on promoting gender diversity in the workforce, the Company targets to maintain the current level of female representation and will continue to regularly review the percentage of female representation in the workforce with the ultimate goal of achieving gender diversity. To support the achievement of these Workforce Diversity, specific initiatives have included a review of the recruitment process, with job descriptions and postings amended to motivate a broader applicant pool, as well as changes to applicant screening and interviews. In addition, to support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours. In addition, as an important force in the Company's development, female enjoyed equal development opportunities and specific humanistic care.

Director Nomination Policy

On 6 December 2018, the Company adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the Corporate Governance Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Director Nomination Policy sets out the non-exhaustive 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;
- professional qualifications and skills;
- accomplishment and experience in the pharmaceutical and biologics markets;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all 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.

In general, the nomination process of Directors is as follows:

Appointment of New Directors:

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to external recruiting agents, internal promotion, re-designation etc.
- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria of directorship to determine whether such candidate is qualified and suitable for the directorship of the Company.

- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

During the year ended 31 December 2022, the Nomination Committee recommended to the Board the appointment of a new independent non-executive Director Mr. Gary Zieziula. The appointment is subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience, and knowledge in align with the Company's strategy.

Re-election of Director at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and services to the Company of the retiring Director and the level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria of directorship.

- The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

In terms of succession planning, the following considerations will be used by the Nomination Committee in making recommendations:

- required knowledge, skills and experience at a full Board composite level to effectively fulfil the Board's legal role and responsibilities;

- an appropriate balance of diversity across the Board;

- personal qualities of each candidates;

- continuity through a smooth succession of Directors; and

- compliance with the relevant legal and regulatory requirements.

The Nomination Committee will review the Director Nomination Policy, as and when appropriate, and recommend revision to the Board for consideration and approval.

Corporate Governance Function

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

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company may from time to time and as the circumstances require provide updated written training materials and/or conduct training programs relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

Dividend Policy

On 6 December 2018, the Company adopted a dividend policy (the "**Dividend Policy**") in accordance with the Corporate Governance Code. The Company does not have any pre-determined dividend payout ratio and intends to retain most, if not all, of available funds and any future earnings to operate and expand the business of the Company. Dividends may only be declared and paid out of the profits and reserves of the Company lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Dividend Policy also outlines the factors that the Board should take into account in determining any dividend for distribution to the Shareholders, including future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board considers relevant. Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from the Group's subsidiaries.

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2022.

Board Independence Policy

The Company recognizes that Board independence is key to good corporate governance. As part of the established governance framework, the Group has adopted the board independence mechanisms (the "**Board Independence Mechanisms**") during the Reporting Period, which demonstrates the Company's commitment to high standards of corporate governance, and making good governance integral to the Company's culture.

According to the Board Independence Mechanisms, the Board, Board committees or individual Directors may seek such independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decisions in furtherance of their Directors' duties at the Company's expense. Independent professional advice shall include legal advice and advice of accountants and other professional financial advisers on matters of law, accounting, tax and other regulatory matters.

In the event that independent professional advice, views and input are considered necessary, the Board, Board committees or individual Directors shall communicate with the company secretary to start the Board Independence Mechanism, providing background and details of the relevant incidents and/or transactions, and the issues involved which would require independent views and input. They may direct any questions, queries, concerns or specific advice to be sought to the company secretary who will then contact the Company's professional advisers (including legal advisers, accountants, independent auditor, internal control adviser) or other independent professional parties to obtain such independent professional advice within a reasonable period of time. Any advice obtained through the Board Independence Mechanism shall be duly documented and made available to other members of the Board.

Despite having obtained any information or advice from the chairperson of the Board and/or any independent professional advisers through the Board Independence Mechanism, the Directors are expected to exercise independent judgement in forming their decisions.

During the Reporting Period, the Board has reviewed and considered the implementation of the Board Independence Mechanism to be effective.

During the Reporting Period, the Board has reviewed the compliance status of the Group with respect to the Corporate Governance Code as well as other corporate governance topics including the Group's policies and practices on compliance with legal and regulatory requirements, and ensured that any deviation from the Corporate Governance Code was properly explained and disclosed in this annual report.

During the Reporting Period, the Board has also reviewed certain corporate governance policies and system, and in accordance with code provision D.2.7 and D.2.6 of the Corporate Governance Code, the Company adopted the anti-corruption and whistleblowing policy (the "**Anti-corruption and Whistleblowing Policy**"), which outlines the principles and guidelines that the Company intends to apply to promote and support anti-corruption laws and regulations and establishes a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity with the internal control department of the Company, which will then report to the Audit Committee about any material improprieties related to the Company. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

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.

Continuous Professional Development of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored 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 Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the Reporting Period, all of the Directors, namely Dr. De-Chao Michael Yu, Mr. Ronald Hao Xi Ede, Mr. Shuyun Chen, Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu, Dr. Kaixian Chen and Mr. Gary Zieziula, attended the training/seminar/conference arranged by the Company or other external parties or reading relevant materials. The content of such training related to the duties of directors and on-going obligations of listed companies.

Auditors' Responsibility and Remuneration

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the year ended 31 December 2022. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 102 to 107.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 December 2022 are set out in the table below:

Services rendered for the Company	Total Fees paid and payable RMB'000
Audit and assurance services:	
Annual audit services	3,198
Assurance services of review of interim results	1,070
Non-audit and assurance services:	
Tax advisory services	160
Total	4,428

Risk Management and Internal Controls

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Reporting Period, the Board had conducted an semi-annual review of the effectiveness of the risk management internal control system of the Company (including all material controls, including financial, operational and compliance controls) and considered the system effective and adequate.

The Company has established a complete risk management and internal control system, comprising internal control environment, risk assessment, control activities, information and communication, and supervision, to ensure the legality and compliance of the Group's operations, asset security, truthfulness and completeness of financial reports and related information, continuous improvement of operational efficiency and effectiveness, and to safeguard the Group's long-term sustainable development strategy.

The Board is responsible for determining the goals of risk management, continuously monitoring the risk management and internal control system, and ensuring its effectiveness. The Audit Committee directly reviews and supervises the effectiveness of risk management and internal control systems, and report to the Board. The senior management is responsible for leading and organizing the establishment, implementation, and supervision of risk management and internal control system. The Company has established three lines of defense for risk management, including each of the responsible departments, management departments, and supervision departments. All three lines of defense work together in a closed cycle providing oversight and supervision to each other. The three lines of defense comprehensively controlled risk loopholes, and effectively reducing the occurrence of risks in the Company's operational process. The Company has also established an internal audit department and has designated the relevant personnel who is responsible for identifying, analyzing, and monitoring issues related to risk management and internal control within the group, and directly report to the audit committee semi-annually.

The Company has developed a scientific and comprehensive risk assessment and monitoring process and system. Based on specific risk assessment methods, the Company regularly conducts risk identification, risk analysis, risk assessment, and risk monitoring, analyzes the root causes of major risks, determines risk warning indicators, establishes warning mechanisms, develops and implement improvement plans. The Company continuously monitors major risks and adjusts control measures based on actual situations. Based on the external macro environment, feedbacks from internal and external stakeholders, the strategy and goals, and operation and management situation, the Company determines the annual focus of the risk identification and continuously improve the risk management and internal control system. Meanwhile, we have adopted various information technology software for process operation, to further reduce risks and improve operation efficiency.

In 2022, the Board and Audit Committee reviewed and rectified the discrepancy of the share-based compensation expenses in the 2021 interim financial statement and 2021 annual financial statement, and improved the internal control procedures and policies for the accounting of share-based payment.

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, staff members of the Group are not permitted to disseminate inside information relating to the Group to any external parties and are not permitted to respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

In the ordinary course of the Group's business, sensitive data is collected and stored, including, among other things, identity information about our employees, intellectual property, and proprietary business information. The Group manages and maintains our applications and data utilising on-site systems. These applications and data encompass a wide variety of business critical information including commercial information, and business and financial information. The Group has implemented relevant internal procedures and controls to ensure that such sensitive data is protected and that leakage and loss of such data is avoided. The Company established department of information security.

The Audit Committee and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. Our management, under the supervision of our Board or a committee of our Board takes reasonable steps to (i) monitor compliance with the code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the code.

Joint Company Secretaries

Ms. Yanju Wang, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also externally engaged Ms. Lok Yee Chan, a manager of the corporate services department of Vistra Corporate Services (HK) Ltd, as another joint company secretary to assist Ms. Wang in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Ms. Wang.

During the Reporting Period, Ms. Yanju Wang and Ms. Lok Yee Chan have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists 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.

General meetings may also be convened on the written requisition of a Shareholder which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, 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 allowing shareholders to propose new resolutions at the general meetings under the Companies Law of Cayman Islands (as revised and amended from time to time) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

As regards the procedures for shareholders to propose a candidate for election as a Director, they are available on the Company's website at www.innoventbio.com.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company.

Shareholders may send their enquiries and concerns to the Board by addressing them to the below details:

Address:	168 Dongping Street Suzhou Industrial Park China 215123
Telephone:	(86) 0512-69566088
Fax:	(86) 0512-69566088-8348
Email:	ir@innoventabio.com

Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**"), which aims to set out the approach of the Board to provide Shareholders of the Company and other stakeholders (including potential investors) with balanced and

understandable information about the Company. For details of the policy, please refer to the Company's website. In accordance with the Shareholders' Communication Policy, the Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings, annual and interim earning release meetings, road shows and other communication meetings and social networks. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

Also, the Company discloses information and publishes periodic reports and announcements to the public on the Stock Exchange's website in a timely manner in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions. To promote effective communication, the Company maintains a website at www.innoventbio.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The Company considers effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has reviewed and considered the implementation of the Shareholders' communication to be effective during the Reporting Period.

Changes in Constitutional Documents

During the Reporting Period, the Company did not made any significant changes to its constitutional documents.

A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Deloitte. 德勤

TO THE SHAREHOLDERS OF INNOVENT BIOLOGICS, INC.
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Innovent Biologics, Inc. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 108 to 206, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") 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 Hong Kong Institute of Certified Public Accountants (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 judgment, 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.

Key audit matters	How our audit addressed the key audit matters
Cut-off of research and development expenses	
The Group incurred significant research and development ("R&D") expenses of RMB2,871 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022, of which, RMB707 million R&D expenses were accrued as at 31 December 2022 as set out in note 25 to the consolidated financial statements. The accrued R&D expenses were service fees payable to outsourced service providers including contract research organisations and clinical trial sites (collectively referred to as the "Outsourced Service Providers"). As disclosed in note 4 to the consolidated financial statements, the management of the Group applies estimate in the measurement of the progress of activities and milestones of services provided by Outsourced Service Providers on a contract-by-contract basis, which is the basis of assessing service fees to Outsourced Service Providers that had incurred and therefore should be accrued as at 31 December 2022. We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.	Our procedures in relation to the cut-off of R&D expenses included: • Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expenses including service fees incurred to Outsourced Service Providers; • For the service fees incurred to contract research organisations, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant contract research organisations, on a sample basis, to determine whether the service fees were recorded based on respective contract sums, progress and/or relevant milestones achieved; and • For the service fees incurred to clinical trial sites, testing the accrual of the clinical trial related costs, on a sample basis, with reference to the clinical trial data and terms of services.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimation in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As disclosed in note 20 to the consolidated financial statements, the Group's net trade receivables amounting to approximately RMB575 million as at 31 December 2022. As disclosed in notes 4 and 36 to the consolidated financial statements, trade receivables with significant balances and credit-impaired balances are assessed for ECL individually while for the remaining balances, collective assessment is adopted. The management of the Group estimates the amount of lifetime ECL of trade receivables through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing and/or past due status of respective trade receivables. Estimated loss rates are based on default rates over the expected life of the debtors and are adjusted for forward-looking information.	Our procedures in relation to the impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2022, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2022, including their identification of significant balances and credit-impaired receivables and, the reasonableness of management's grouping of the remaining trade debtors into different categories in the collective assessment, and the basis of estimated loss rates applied in each individually significant balance, credit-impaired balance and each category in the collective assessment (with reference to default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 36 to the consolidated financial statements.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 Directors and Those Charged with Governance 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the director of the Company 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment and maintain professional skepticism 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 of the Company.

- Conclude on the appropriateness of the directors of the Company's 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000 *(Restated)*
Revenue from contracts with customers	5	**4,556,380**	4,269,729
Cost of sales		**(930,990)**	(505,337)
Gross profit		**3,625,390**	3,764,392
Other income	6	**279,735**	196,881
Other gains and losses	7	**774,340**	(72,784)
Research and development expenses		**(2,871,220)**	(2,322,513)
Administrative and other expenses		**(835,488)**	(806,010)
Selling and marketing expenses		**(2,590,765)**	(2,620,142)
Royalties and other related payments		**(450,763)**	(719,077)
Finance costs	8	**(101,698)**	(62,464)
Loss before tax	9	**(2,170,469)**	(2,641,717)
Income tax expense	12	**(8,801)**	(87,038)
Loss for the year		**(2,179,270)**	(2,728,755)
Other comprehensive expense			
Item that will not be reclassified to profit or loss			
Fair value loss on investment in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(876)**	(120,009)
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(20,446)**	1,995
Other comprehensive expense for the year, net of income tax		**(21,322)**	(118,014)
Total comprehensive expense for the year		**(2,200,592)**	(2,846,769)
Loss per share	13		
– Basic (RMB Yuan)		**(1.46)**	(1.88)
– Diluted (RMB Yuan)		**(1.46)**	(1.88)

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	14	**3,411,496**	2,692,986
Right-of-use assets	15	**414,650**	396,862
Intangible assets	16	**1,198,163**	772,194
Equity instruments at FVTOCI	18	**202,570**	203,446
Prepayments for acquisition of long-term assets		**234,573**	285,909
Prepayments and other receivables	21	**193,058**	127,658
Other financial assets	22	**427,627**	213,809
		6,082,137	4,692,864
Current assets			
Inventories	19	**1,428,882**	1,347,240
Trade receivables	20	**575,269**	968,405
Prepayments and other receivables	21	**336,521**	213,261
Other financial assets	22	**3,213**	644,848
Bank balances and cash	23	**9,162,823**	8,377,095
		11,506,708	11,550,849
Current liabilities			
Trade and bills payables	24	**325,622**	195,050
Other payables and accrued expenses	25	**1,820,977**	2,051,624
Contract liabilities	26	**434,911**	355,506
Borrowings	27	**888,000**	365,000
Lease liabilities	28	**26,392**	22,273
Tax payables		**3,296**	60,594
		3,499,198	3,050,047
Net current assets		**8,007,510**	8,500,802
Total assets less current liabilities		**14,089,647**	13,193,666

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Contract liabilities	26	**569,096**	458,507
Borrowings	27	**2,215,433**	2,023,261
Lease liabilities	28	**98,683**	86,392
Government grants	29	**314,181**	294,767
Other financial liabilities	30	**162,305**	342
		3,359,698	2,863,269
Net assets		**10,729,949**	10,330,397
Capital and reserves			
Share capital	31	**105**	101
Reserves		**10,729,844**	10,330,296
Total equity		**10,729,949**	10,330,397

The consolidated financial statements on pages 108 to 206 were approved and authorised for issue by the board of directors on 28 March 2023 and are signed on its behalf by:

Yu, De-Chao Michael
DIRECTOR

Ede, Hao Xi Ronald
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital RMB'000	Share premium RMB'000	FVTOCI reserve RMB'000	Other reserve RMB'000 (note)	Translation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021 (originally stated)	97	18,541,251	–	(313,652)	–	534,063	(9,981,989)	8,779,770
Prior year adjustments (note 3.1)	–	–	–	–	–	(150,359)	150,359	–
At 1 January 2021 (restated)	97	18,541,251	–	(313,652)	–	383,704	(9,831,630)	8,779,770
Loss and total comprehensive expenses for the year	–	–	(120,009)	–	1,995	–	(2,728,755)	(2,846,769)
Issue of ordinary shares (note 31(a))	3	3,940,088	–	–	–	–	–	3,940,091
Transaction costs attribute to issue of new shares	–	(54,696)	–	–	–	–	–	(54,696)
Recognition of equity-settled share-based payment	–	–	–	–	–	501,572	–	501,572
Vesting of restricted shares	–	32,252	–	–	–	(32,252)	–	–
Exercise of share options (note 31(b))	1	34,763	–	–	–	(24,335)	–	10,429
At 31 December 2021 (restated)	101	22,493,658	(120,009)	(313,652)	1,995	828,689	(12,560,385)	10,330,397
At 1 January 2022 (originally stated)	**101**	**22,493,658**	**(120,009)**	**(313,652)**	**1,995**	**1,388,346**	**(13,120,042)**	**10,330,397**
Prior year adjustments (note 3.1)	**-**	**-**	**-**	**-**	**-**	**(559,657)**	**559,657**	**-**
At 1 January 2022 (restated)	**101**	**22,493,658**	**(120,009)**	**(313,652)**	**1,995**	**828,689**	**(12,560,385)**	**10,330,397**
Loss and total comprehensive expense for the year	**-**	**-**	**(876)**	**-**	**(20,446)**	**-**	**(2,179,270)**	**(2,200,592)**
Recognition of equity-settled share-based payment	**-**	**-**	**-**	**-**	**-**	**469,085**	**-**	**469,085**
Issue of ordinary shares (note 31(c))	**4**	**2,088,999**	**-**	**-**	**-**	**-**	**-**	**2,089,003**
Issuance of restricted shares (note 31(e))	**-***	**37,877**	**-**	**-**	**-**	**(37,877)**	**-**	**-**
Exercise of share options (note 31(d))	**-***	**85,104**	**-**	**-**	**-**	**(43,048)**	**-**	**42,056**
At 31 December 2022	**105**	**24,705,638**	**(120,885)**	**(313,652)**	**(18,451)**	**1,216,849**	**(14,739,655)**	**10,729,949**

Note: Other reserve included 1) effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to the preferred shares of the Company; 2) differences between the carrying amounts of net assets attributable to the additional non-controlling interests at the date of issuance of subsidiary's equity and the relevant proceeds received; 3) portion of deemed capital contribution over restricted shares or options granted to employees of subsidiary attributable to non-controlling interests and 4) effect of exercise of put option granted to non-controlling shareholders.

*: Amount is less than RMB1,000.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 *(Restated)*
OPERATING ACTIVITIES		
Loss before tax	**(2,170,469)**	(2,641,717)
Adjustments for:		
(Gain) loss on disposal of property, plant and equipment	**(60)**	709
Depreciation of property, plant and equipment	**245,088**	165,400
Amortisation of intangible assets	**42,635**	2,577
Depreciation of right-of-use assets	**31,699**	36,770
Net foreign exchange (gains)losses	**(737,720)**	201,137
Gain from changes in fair value of other financial assets measured at fair value through profit or loss ("**FVTPL**")	**(2,430)**	(125,017)
Gain from disposal of other financial assets measured at FVTPL	**(2,672)**	–
Share-based payment expenses	**469,490**	501,572
Research and development expenses paid by partners of joint operations	**53,885**	46,081
Government grants income	**(11,456)**	(4,679)
Bank interest income	**(189,537)**	(151,755)
Interest on bank borrowings	**90,807**	59,259
Interest on lease liabilities	**10,891**	3,205
Gain from changes in fair value of other financial liabilities measured at FVTPL	**(16,510)**	(1,658)
Inventory impairment loss, net of reversal	**23,746**	1,699
Operating cash flows before movements in working capital	**(2,162,613)**	(1,906,417)
Increase in inventories	**(105,388)**	(643,281)
Decrease (increase) in trade receivables	**393,136**	(493,027)
Increase in prepayments and other receivables	**(106,382)**	(38,604)
Increase in trade and bills payables	**130,572**	74,430
(Decrease) increase in other payables and accrued expenses	**(207,071)**	903,068
Increase in contract liabilities	**189,994**	105,432
Increase in government grants	**15,047**	–
Cash used in operations	**(1,852,705)**	(1,998,399)
Income tax paid	**(66,099)**	(26,444)
NET CASH USED IN OPERATING ACTIVITIES	**(1,918,804)**	(2,024,843)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 *(Restated)*
INVESTING ACTIVITIES		
Interest received	**107,259**	151,640
Placement of term deposits with maturity dates over three months	**(10,111,103)**	(8,091,196)
Placement of pledged bank deposit	**(306,442)**	(1,001,415)
Purchase of property, plant and equipment	**(896,896)**	(1,065,634)
Purchase of financial assets at FVTPL	**(214,601)**	(1,923,237)
Purchase of equity instruments at FVOCI	**–**	(323,455)
Upfront payments for right-of-use assets/leasehold land	**(16,230)**	–
Purchase of intangible assets	**(468,604)**	(781,882)
Release of term deposits with maturity dates over three months	**9,375,075**	8,562,579
Release of pledged bank deposits	**514,455**	–
Proceeds on release of financial assets at FVTPL	**644,770**	1,558,901
Proceeds from disposal of property plant and equipment	**190**	98
Receipt of government grants related to property, plant and equipment	**15,823**	253,623
Repayment to a partner of joint operations	**(78,881)**	(38,170)
NET CASH USED IN INVESTING ACTIVITIES	**(1,435,185)**	(2,698,148)
FINANCING ACTIVITIES		
Interest paid	**(104,884)**	(78,826)
New borrowings raised	**1,080,172**	1,463,083
Repayment of borrowings	**(365,000)**	(255,000)
Repayment of lease liabilities	**(27,738)**	(23,720)
Payment of transaction costs attributable to issuance of new shares	**–**	(54,696)
Issuance of ordinary shares	**2,089,003**	3,940,091
Proceeds from exercise of share options	**42,056**	10,429
Proceeds from other partners of investment funds consolidated	**178,473**	2,000
NET CASH FROM FINANCING ACTIVITIES	**2,892,082**	5,003,361
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(461,907)**	280,370
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,359,408**	1,276,178
Effects of foreign exchange rate changes	**118,664**	(197,140)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (note 23)	**1,016,165**	1,359,408

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. 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 Company and its subsidiaries are collectively referred to as the Group.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenant[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 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 a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

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

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3.2 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB118,776,000 and RMB125,075,000 respectively. The initial application of the amendments has no impact on the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Prior year adjustments

During the finalisation of the consolidated financial statements of the Group for the year ended 31 December 2022, the management has identified certain adjustments relating to share-based payment expenses in the consolidated financial statements of prior years. The prior year adjustments are to decrease the expenses recognized for the share options and restricted shares based on the a) actual number of the share options and restricted shares granted; b) actual number of the share options and restricted shares forfeited and c) the consequent proper estimation of the number of the share options and restricted shares expected to vest. The corresponding impact has been adjusted on cost of sales, research and development expenses, administrative and other expenses and selling and marketing expenses accordingly for the preceding years. The aforesaid adjustments result in the reclassification between accumulated losses and share-based payment reserve in the consolidated statement of changes in equity thus have no impact on the consolidated statement of financial position and net cash flow.

The effect of the prior year adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 is set out below:

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Prior year adjustments (Continued)

	Year ended December 31 2021 RMB'000 *(Originally stated)*	Prior year Adjustments RMB'000	Year ended December 31 2021 RMB'000 *(Restated)*
Revenue from contracts with customers	4,269,729	–	4,269,729
Cost of sales	(573,040)	67,703	(505,337)
Gross profit	3,696,689	67,703	3,764,392
Other income	196,881	–	196,881
Other gains and losses	(72,784)	–	(72,784)
Research and development expenses	(2,478,067)	155,554	(2,322,513)
Administrative and other expenses	(884,027)	78,017	(806,010)
Selling and marketing expenses	(2,728,166)	108,024	(2,620,142)
Royalties and other related payments	(719,077)	–	(719,077)
Finance costs	(62,464)	–	(62,464)
Loss before tax	(3,051,015)	409,298	(2,641,717)
Income tax expense	(87,038)	–	(87,038)
Loss for the year	(3,138,053)	409,298	(2,728,755)
Items that will not be reclassified to profit or loss			
Fair value loss on investment in equity instruments at FVTOCI	(120,009)	–	(120,009)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations	1,995	–	1,995
Other comprehensive expense for the year, net of income tax	(118,014)	–	(118,014)
Total comprehensive expense for the year	(3,256,067)	409,298	(2,846,769)
Loss per share			
– Basic (RMB Yuan)	(2.16)	0.28	(1.88)
– Diluted (RMB Yuan)	(2.16)	0.28	(1.88)

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities including structured entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Basis of consolidation (Continued)

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer 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 customer controls as the Group performs; or
- 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 Financial Instruments ("IFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)
For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For licence fee income and research and development service fee income that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Royalties and other related payments

Royalty or profit-sharing payments to a collaborator are recognised as royalties and other related payments at the time the Group obligated to pay in accordance with relevant terms.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of offices 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 office equipments which are low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss for the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised in “Government grants” in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Employee benefits

Pension obligations

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the schemes. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares/share options granted to employees and a consultant

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to the right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on the right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Intangible assets (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash – generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of the cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of the cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of the cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of the cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 23.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale. Trial batches manufactured prior to regulatory approval (including raw materials cost) is charged to research and development expenses when they are produced.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, rental deposits, other receivables, other loans and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed either individually for debtors with significant balances and credit-impaired receivables or collectively with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. ECL for other receivables are considered on a collective basis taking into consideration the nature of different transaction.

For collective assessment, the Group takes into consideration the past-due status when formulating the groupings.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated loss upon derecognition of the financial liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidate statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amount; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying accounting policies (Continued)

Research and development expenses

Development costs incurred on the Group's pharmaceutical product pipelines are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalisation.

Key sources of estimation uncertainty

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

Research and development expenses accrued

The Group rely on Outsourced Service Providers to conduct, supervise and monitor the Group's ongoing research and development projects. Determining the amounts of service fees payable to Outsourced Service Providers up to the end of each reporting period requires the management of the Group to estimate and measure the progress of activities and milestones of services provided by Outsourced Service Providers on a contract-by-contact basis, which is the basis of assessing service fees to Outsourced Service Providers that had incurred and therefore should be accrued up to the end of each reporting period.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired balances are assessed for ECL individually. In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on individual basis, collective assessment is adopted. The management of the Group estimates the amount of lifetime ECL of trade receivables based on collective assessment through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing and/or past due status of respective trade receivables. Estimated loss rates are based on default rates over the expected life of the debtors and are adjusted for forward-looking information.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 36.

Useful lives of property, plant, and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is reference to the useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that would have been abandoned or sold. As at 31 December 2022, the carrying amount of property, plant and equipment is RMB3,411 million (2021: RMB2,693 million) which is disclosed in note 14.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Recognition of revenue arising from commercialisation licence

The Group entered into collaboration agreements and to provide commercialisation licences to customers. Upfront fee, development milestone fee and R&D expenses reimbursement received is recorded under contract liabilities and recognised as revenue only when customers have ability to use the licence. Accordingly, revenue is recognise over time upon customer receives and consumes the benefits based on actual and estimated forecast sales during the commercialisation stage of the respective products. During the year ended 31 December 2022, licence fee income related to commercialisation licence of RMB396,751,000 (2021: RMB259,789,000) was recognised based on the actual sales against the total budgeted sales during the commercialisation period. Management revise its total budgeted sales from time to time based on changes in facts and circumstances.

Impairment assessment of intangible assets not yet available for use

Intangible assets not ready for use are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The Group capitalised expense in respect of the licenses for a few particular molecules with the goal of developing and commercializing.

Determining whether intangible assets not ready for use is impaired requires an estimation of recoverable amount of the cash-generating unit to which the intangible assets belong, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arising from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

As at December 31, 2022, the carrying amounts of capitalized development costs not yet available for use is RMB616 million (2021: RMB752 million). Details of the assessment of impairment of intangible assets not yet available for use are disclosed in note 16.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS 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:

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
A point in time		
Sales of pharmaceutical products	**4,139,084**	4,001,077
Licence fee income	**20,304**	8,863
	4,159,388	4,009,940
Overtime		
Research and development service fee income	**241**	–
Licence fee income	**396,751**	259,789
	396,992	259,789
	4,556,380	4,269,729

5. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION (Continued)

Sales of pharmaceutical products

For the sale of pharmaceutical products, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customers have the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 45 – 60 days upon delivery. Customers can only return or request refund if the goods delivered do not meet required quality standards. As at 31 December 2022, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period.

Licence fee income

The Group provides licence of its patented intellectual property ("IP") or commercialisation licence to customers. Licence fee income is recognised at a point of time upon the customer obtains control of IP or if control is transferred over time, e.g. commercialisation licence to customers for a term of period, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

As at 31 December 2022, the development milestone payment the Group may receive from the licence provided to customers up to an aggregate amount of RMB4,355 million (2021: RMB3,982 million) (excluding sales-based royalty and sales milestone arrangement in accordance with relevant contracts).

Research and development agreements with a customer

The Group entered into research and development agreements with a customer. The Group earns revenues by providing research services to the customer through fee-for-service contracts. Contract duration is over a year. Upfront payments (if any) received by the Group was initially recognised as a contract liability. Services revenue is recognised as a performance obligation satisfied over time as 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. The Group uses cost incurred to date as an input method to measure progress towards complete satisfaction of these performance obligations. Payment for services is not due from the customer until the development is completed and therefore a contract asset is recognised over the period in which the services are performed.

Segment information

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 as a whole which are prepared based on the same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and except for entity-wide disclosures, major customers and geographic information, no further analysis of the segment is presented.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION (Continued)

Geographical information

Substantially all of the Group's operations and non-current assets are located in the People's Republic of China ("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

	2022 RMB'000	2021 RMB'000
The PRC	**4,132,539**	3,967,517
United States of America ("USA")	**411,034**	261,639
Republic of Indonesia	**12,807**	6,604
Republic of France	**–**	33,969
	4,556,380	4,269,729

Information about major customers

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

	2022 RMB'000	2021 RMB'000
Customer A (note)	**2,580,627**	3,250,347

Note: Customer A is a multinational group. Revenue from customer A is mainly from sales of pharmaceutical products and licence fee income.

6. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Bank interest income	**189,537**	151,755
Government grants income (note)	**90,198**	45,126
	279,735	196,881

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which are recognised over the useful lives of the related assets; and (ii) the incentive and other subsidies for research and development activities and interest subsidies, which are recognised upon compliance with the attached conditions.

7. OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Gain (loss) on disposal of property, plant and equipment	**60**	(709)
Gain from changes in fair value of other financial assets measured at FVTPL (note 22)	**2,430**	125,017
Gain from disposal of other financial assets measured at FVTPL	**2,672**	–
Gain from changes in fair value of other financial liability measured at FVTPL	**16,510**	1,658
Net foreign exchange gains (losses)	**752,054**	(198,750)
Others	**614**	–
	774,340	(72,784)

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	**106,303**	76,937
Interest on lease liabilities	**10,891**	3,205
Total borrowing costs	**117,194**	80,142
Less: amounts capitalised in the cost of qualifying assets (note)	**(15,496)**	(17,678)
	101,698	62,464

Note: Borrowing costs capitalised during the year arose on special loans.

9. LOSS BEFORE TAX

	2022 RMB'000	2021 RMB'000 (Restated)
Loss before tax has been arrived at after charging:		
Directors' emoluments (note 11)	**171,378**	149,448
Other staffs costs:		
Salaries and other allowances	**1,440,626**	1,106,862
Performance related bonus	**384,313**	516,362
Retirement benefit scheme contributions	**313,780**	227,837
Share-based payment expenses	**339,465**	384,865
Total staff costs	**2,649,562**	2,385,374
Depreciation of property, plant and equipment	**245,088**	165,400
Amortisation of intangible assets	**42,635**	2,577
Depreciation of right-of-use assets	**31,699**	36,770
Capitalised in inventories	**(141,654)**	(79,702)
	177,768	125,045
Auditors' remuneration	**3,198**	3,050
Cost of inventories recognised as an expense	**542,406**	522,492
Inventory impairment loss, net of reversal	**23,746**	1,699

10. DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable to the directors of the Company and the chief executive of the Company by the group entities during the reporting period are as follows:

Year ended 31 December 2022

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Yu, De-Chao Michael ("**Dr. Yu**")	–	2,899	30,061	–	32,960
Ede, Hao Xi Ronald ("**Mr. Ede**")	–	2,485	4,475	–	6,960
	–	5,384	34,536	–	39,920
Non-executive director:					
Chen, Shuyun (note b)	–	–	–	–	–
Independent non-executive directors:					
Cooney, Charles L.	400	–	–	–	400
Hsu, I-Yin Joyce	400	–	–	–	400
Chen, Kaixian	400	–	–	–	400
Zieziula Gary (note a)	233	–	–	–	233
	1,433	–	–	–	1,433
	1,433	5,384	34,536	–	41,353

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

Year ended 31 December 2021

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Dr. Yu	–	2,879	23,342	–	26,221
Mr. Ede	–	2,240	3,158	–	5,398
	–	5,119	26,500	–	31,619
Non-executive director:					
Chen, Shuyun (note b)	–	–	–	–	–
Independent non-executive directors:					
Cooney, Charles L.	360	–	–	–	360
Hsu, I-Yin Joyce	402	–	–	–	402
Chen, Kaixian	360	–	–	–	360
	1,122	–	–	–	1,122
	1,122	5,119	26,500	–	32,741

Notes:

a. Zieziula Gary was appointed as a non-executive director of the Company on 1 June 2022.

b. Chen, Shuyun resigned as a non-executive director of the Company on 25 February 2022.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

The executive directors' emoluments shown above were for their services as directors of the Company in connection with the management of the affairs of the Company and Group.

The independent non-executive directors' and non-executive director's emoluments shown above were for their services as directors of the Company.

Dr. Yu is also the chief executive of the Company, and his emoluments disclosed above included those services rendered by him as the chief executive.

Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

There was no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the both years.

In addition, share-based payment expenses of RMB106,471,000 (2021: RMB101,738,000), RMB22,671,000 (2021: RMB14,969,000), RMB184,000(2021: nil), RMB184,000(2021: nil), RMB74,000(2021: nil) and RMB441,000 are respectively recognised in connection with the amortisation of share options and restricted shares charges on the employee stock option plan ("ESOP") and restricted shares ("RS") granted to Dr. Yu, Mr. Ede, Cooney, Charles L., Hsu, I-Yin Joyce, Chen, Kaixian and Zieziula Gary.

Employees

The five highest paid individuals of the Group during the year included two directors (2021: two directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2021: three) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other allowances	**22,880**	7,656
Performance related bonus	**14,384**	3,879
Share-based payment expenses	**119,401**	30,877
Retirement benefits scheme	**802**	278
	157,467	42,690

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees (Continued)

The emoluments of these five highest paid individuals without share-based payment expenses in connection with the amortisation of ESOP and RS granted to them during the reporting period were fell within the following bands:

	Number of individuals Year ended 31 December 2022	2021
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	1
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**1**	–
HK$31,500,001 to HK$32,000,000	**–**	1
HK$36,500,001 to HK$37,000,000	**1**	–
HK$38,000,001 to HK$38,500,000	**1**	–
	5	5

The share-based payment expenses recognised in connection with the amortisation of ESOP and RS granted to these five highest paid individuals during the reporting period were fell within the following bands:

	Number of individuals Year ended 31 December 2022	2021
HK$2,500,001 to HK$3,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**1**	–
HK$15,500,001 to HK$16,000,000	**–**	1
HK$18,000,001 to HK$18,500,000	**–**	1
HK$18,500,001 to HK$19,000,000	**–**	1
HK$24,500,001 to HK$25,000,000	**1**	–
HK$26,000,001 to HK$26,500,000	**1**	–
HK$105,000,001 to HK$105,500,000	**1**	–
HK$122,500,001 to HK$123,000,000	**–**	1
HK$123,000,001 to HK$123,500,000	**1**	–
	5	5

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees (Continued)

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the directors of the Company nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years ended 31 December 2022 and 2021, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. Further, no consideration was provided to or receivable by third parties for making available directors' services. There are also no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

12. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax		
Income tax	**3,140**	60,747
Over provision in prior years	**(48,288)**	–
Withholding tax	**53,949**	26,291
	8,801	87,038

The Company is tax exempt under the laws of the Cayman Islands.

Innovent Biologics (HK) Limited ("Innovent HK") is subject to Hong Kong profits tax on profits sourced in Hong Kong. Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Innovent HK did not have tax assessable profit subject to Hong Kong Profits Tax for both years.

Under the US Tax Cuts and Jobs Act, the US corporate income tax rate has charged at flat rate of 21%.

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25%.

信達生物製藥(蘇州)有限公司 Innovent Biologics (Suzhou) Co., Ltd.* ("Innovent Suzhou") has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau (the "**STB**") of Jiangsu Province and relevant authorities on 7 November 2019, and has been registered with the local tax authorities for enjoying the reduced 15% Enterprise Income Tax rate (the "**EIT rate**") for 3 years. Upon expiry in the current year, the qualification as a High and New Technology Enterprise has been renewed on 12 December 2022.

In addition, Innovent Suzhou is subject to withholding tax on licence fee income received from USA based customers amounting to RMB53,949,000 (2021: RMB25,840,000) for the year ended 31 December 2022. Besides, Innovent HK has accrued RMB Nil (2021: RMB: 451,000) withholding tax on license fee income.

12. INCOME TAX EXPENSE (Continued)

The tax charge for the reporting period can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000 *(Restated)*
Loss before tax	**(2,170,469)**	(2,641,717)
Tax charge at the PRC EIT rate of 25%	**(542,617)**	(660,429)
Tax effect of expenses not deductible for tax purpose	**287,101**	823,491
Tax effect of income not taxable for tax purpose	**(374,440)**	–
Effect of research and development expenses that are additionally deducted (note)	**(469,368)**	(401,039)
Tax effect of tax losses not recognised	**910,891**	140,846
Tax effect of deductible temporary differences not recognised	**191,573**	159,122
Withholding tax on license fee income	**53,949**	26,291
Over provision in prior years	**(48,288)**	–
Utilisation of tax losses not recognised in prior years	**–**	(1,244)
Tax charge for the year	**8,801**	87,038

Note: Pursuant to Caishui 2018 circular No. 99, Innovent Suzhou and 蘇州信達生物科技有限公司 Innovent Biologics Technology (Suzhou) Co., Ltd.* ("Innovent Technology") enjoy super deduction of 175% (2021: 175%) on qualified research and development expenditures for the year ended 31 December 2022 and 2021.

* English name for identification only

As at 31 December 2022, the Group has unused tax losses of RMB9,152 million (2021: RMB5,509 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

12. INCOME TAX EXPENSE (Continued)

The unrecognised tax losses will be carried forward and expire in years as follows:

	2022 RMB'000	2021 RMB'000
2023	**75,390**	75,390
2024	**75,849**	75,849
2025	**9,633**	9,633
2026	**466,776**	466,776
2027	**762,472**	762,472
2028	**1,584,277**	1,584,277
2029	**1,831,275**	1,831,275
2030	**121,430**	121,430
2031	**442,594**	458,094
2032	**2,989,701**	–
Indefinite	**792,938**	123,574
	9,152,335	5,508,770

As at 31 December 2022, the Group has deductible temporary differences mainly related to government grants income and contract liabilities of RMB2,188 million (2021: RMB1,422 million). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

13. 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:

	Year ended 31 December 2022	2021 (Restated)
Loss (RMB'000)		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(2,179,270)**	(2,728,755)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,490,123,192**	1,455,605,751

The computation of basic loss per share for the year ended 31 December 2022 and 2021 excluded the treasury shares and included the vested but unissued restricted shares of the Company. Details of the restricted shares are set out in note 32.

(b) Diluted

31 December 2022 and 2021

The Company had two categories of potential ordinary shares which are restricted shares awarded under the Pre-IPO Share Incentive Plan (the "**Pre-IPO Plan**"), 2018 Restricted Shares Plan (the "**2018 RS Plan**"), 2020 Restricted Shares Plan (the "**2020 RS Plan**") and the shares options awarded under Pre-IPO Plan and Post-IPO share option scheme (the "**Post-IPO ESOP**"), as details set out in note 32. As the Group incurred losses for the years ended 31 December 2022 and 2021, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the years ended 31 December 2022 and 2021 is the same as basic loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2021	389,725	76,760	1,091,338	85,175	6,705	287,661	1,937,364
Additions	–	–	–	–	–	1,275,114	1,275,114
Transfer	–	30,165	218,449	20,419	593	(269,626)	–
Disposal	–	(77)	(1,981)	(608)	–	–	(2,666)
At 31 December 2021	**389,725**	**106,848**	**1,307,806**	**104,986**	**7,298**	**1,293,149**	**3,209,812**
Additions	**–**	**–**	**–**	**–**	**–**	**963,728**	**963,728**
Transfer	**12,735**	**809**	**1,097,539**	**7,060**	**–**	**(1,118,143)**	**–**
Disposal	**–**	**–**	**(296)**	**(6)**	**(1,184)**	**–**	**(1,486)**
At 31 December 2022	**402,460**	**107,657**	**2,405,049**	**112,040**	**6,114**	**1,138,734**	**4,172,054**
DEPRECIATION							
At 1 January 2021	41,982	35,595	233,499	37,207	5,002	–	353,285
Provided for the year	8,397	25,501	110,765	19,852	885	–	165,400
Disposal	–	(6)	(1,271)	(582)	–	–	(1,859)
At 31 December 2021	**50,379**	**61,090**	**342,993**	**56,477**	**5,887**	**–**	**516,826**
Provided for the year	**9,424**	**21,701**	**195,018**	**18,062**	**883**	**–**	**245,088**
Disposal	**–**	**–**	**(166)**	**(6)**	**(1,184)**	**–**	**(1,356)**
At 31 December 2022	**59,803**	**82,791**	**537,845**	**74,533**	**5,586**	**–**	**760,558**
CARRYING VALUE							
At 31 December 2022	**342,657**	**24,866**	**1,867,204**	**37,507**	**528**	**1,138,734**	**3,411,496**
At 31 December 2021	339,346	45,758	964,813	48,509	1,411	1,293,149	2,692,986

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment except for construction in progress, after taking into account of the residual value, are depreciated on a straight-line basis at the following rate per annum:

Buildings	2%
Leasehold improvement	Over the shorter of the term of the lease, or 5%
Plant and machinery	7%–20%
Furniture, fixtures and equipment	20–80%
Motor vehicles	25%

As at 31 December 2022, the Group has pledged property, plant and equipment with a net book value of RMB889 million (2021: RMB489 million), to secure borrowings as disclosed in the note 27.

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Buildings RMB'000	Total RMB'000
As at 31 December 2022			
Carrying amount	**295,874**	**118,776**	**414,650**
As at 31 December 2021			
Carrying amount	285,975	110,887	396,862
For the year ended 31 December 2022			
Additions	**16,230**	**33,257**	**49,487**
Depreciation charge	**(6,331)**	**(25,368)**	**(31,699)**
	9,899	7,889	17,788
For the year ended 31 December 2021			
Additions	–	106,508	106,508
Depreciation charge	(15,750)	(21,020)	(36,770)
	(15,750)	85,488	69,738

15. RIGHT-OF-USE ASSETS (Continued)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**52**	34
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**1,692**	1,318
Total cash outflow for leases	**56,603**	28,276

For the years ended 31 December 2022 and 2021, the Group leases lands and various offices for its operations. Lease contracts are entered into for fixed term of 1 year to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in this note.

In addition, lease liabilities of RMB125,075,000 are recognised with related right-of-use assets of RMB118,776,000 as at 31 December 2022 (2021: lease liabilities of RMB108,665,000 and related right-of-use assets of RMB110,887,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except for leasehold lands leased assets may not be used as security for borrowing purposes.

As at 31 December 2022, the Group has pledged right-of-use assets with a net book value of RMB280 million (2021: RMB286 million), to secure borrowings as disclosed in the note 27.

16. INTANGIBLE ASSETS

	Development cost RMB'000	Software RMB'000	Total RMB'000
As at 31 December 2020	32,625	–	32,625
Addition	719,821	22,325	742,146
Amortisation	–	(2,577)	(2,577)
As at 31 December 2021	752,446	19,748	772,194
Addition	453,816	14,788	468,604
Amortisation	(38,145)	(4,490)	(42,635)
As at 31 December 2022	1,168,117	30,046	1,198,163

Except for certain license rights and capitalized development expense not yet available for use, intangible assets are amortised on a straight-line basis over the following periods:

Development cost	10 years
Software	10 years

During the year ended 31 December 2022, the Group capitalised expense amounted to RMB453,816,000 (2021: RMB719,821,000), in respect of the licenses for a few particular molecules with the goal of developing and commercialising them as pharmaceutical products. Such intangible assets have finite useful lives and will start to amortise after available for use.

As at 31 December 2022, the management determined that there is no impairment on the development costs not yet available for use with the carrying amount of RMB616,152,000 (2021: RMB752,446,000). Management believes that any reasonably possible change in any of the key assumptions would not cause the recoverable amounts to be lower than their carrying amounts.

17. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal operating subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital		Shareholding/ equity interests attributable to the Company as at		Principal activities
		31 December 2022	31 December 2021	31 December 2022	31 December 2021	
Directly held:						
Innovent HK	Hong Kong 17 May 2011	Issued capital of HK$10,000 and paid-up capital of HK$1	Issued capital of HK$10,000 and paid-up capital of HK$1	**100%**	100%	Sales of drugs
Innovent Biopharmaceuticals Inc.	Cayman Islands 24 April 2020	Issued capital of USD50,000 and paid-up capital USD50,000	Issued capital of USD50,000 and paid-up capital USD50,000	**100%**	100%	Intermediate holding company
Innovent Biologics International Inc.	Cayman Islands 4 November 2021	Registered capital of USD50,000 and paid-up capital of nil	Registered capital of USD50,000 and paid-up capital of nil	**100%**	100%	Intermediate holding company
Innovent Cells Inc.	Cayman Islands 30 April 2021	Registered capital of USD50,000 and paid-up capital of nil	Registered capital of USD50,000 and paid-up capital of nil	**100%**	100%	Intermediate holding company
Indirectly held:						
Innovent Suzhou	PRC 24 August 2011	Registered capital of USD152,464,750 and paid-up capital of USD152,464,750	Registered capital of USD152,464,750 and paid-up capital of USD152,464,750	**100%**	100%	Research and development and sales of drugs
Innovent Technology	PRC 8 July 2013	Registered capital of RMB40,000,000 and paid-up capital of RMB40,000,000	Registered capital of RMB40,000,000 and paid-up capital of RMB40,000,000	**100%**	100%	Research and development
Oriza Xinda International Limited	Hong Kong 20 March 2018	Issued capital of USD50,000 and paid-up capital of nil	Issued capital of USD50,000 and paid-up capital of nil	**100%**	100%	Intermediate holding company

17. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital 31 December 2022	31 December 2021	Shareholding/ equity interests attributable to the Company as at 31 December 2022	31 December 2021	Principal activities
Indirectly held: (Continued)						
Innovent Biotechnology Co., Ltd.	PRC 20 September 2019	Registered capital of USD100,000,000 and paid-up capital of USD75,000,000	Registered capital of USD100,000,000 and paid-up capital of nil	**100%**	100%	Research and development
信達生物製藥(杭州)有限公司 Innovent Biologics (Hangzhou) Co., Ltd.*	PRC 29 September 2020	Registered capital of USD120,000,000 and paid-up capital of USD77,000,006	Registered capital of USD120,000,000 and paid-up capital of USD30,000,000	**100%**	100%	Manufacturing
江蘇眾煦醫藥有限公司 Jiangsu Zhongxu Biopharmaceuticals Co., Ltd.*	PRC 16 November 2020	Registered capital of RMB20,000,000 and paid-up capital of RMB20,000,000	Registered capital of RMB20,000,000 and paid-up capital of RMB10,000,000	**100%**	100%	Sales of drugs
蘇州信成私募基金管理有限公司 Suzhou Xincheng Private Equity Fund Management Co., Ltd.*	PRC 28 April 2021	Registered capital of RMB10,000,000 and paid-up capital of RMB5,000,000	Registered capital of RMB10,000,000 and paid-up capital of RMB3,700,000	**100%**	100%	Capital service
蘇州信禾國清創業投資合夥企業(有限合夥) Suzhou Xinhe Guoqing venture capital partnership (limited partnership) ("Xinhe")*	PRC 6 August 2021	Registered capital of of RMB500,000,000 Paid-up capital of of RMB140,700,000	Registered capital of of RMB155,000,000 Paid-up capital of RMB4,000,000	**11% (note)**	50%	Capital service
蘇州信惠博安企業管理有限公司 Suzhou Xinhui Boan Enterprise Management Co., Ltd.*	PRC 14 April 2021	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	Registered capital of RMB10,000,000 and paid-up capital of RMB1,000,000	**100%**	100%	Business service
Innovent Biologics (USA), Inc.	United States of America 8 June 2018	Issued capital of nil and paid-up capital of nil	Issued capital of nil and paid-up capital of nil	**100%**	100%	Research and development
Innovent Biologics (Europe) Limited	England and Wales 27 July 2020	Issued capital of GBP1 and paid-up capital of nil	Issued capital of GBP1 and paid-up capital of nil	**100%**	100%	Research and development

17. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital 31 December 2022	31 December 2021	Shareholding/ equity interests attributable to the Company as at 31 December 2022	31 December 2021	Principal activities
Indirectly held: (Continued)						
Innovent Biopharmaceuticals (HK) Limited	Hong Kong 27 March 2020	Issued capital of HK$10,000 and paid-up capital HK$10,000	Issued capital of HK$10,000 and paid-up capital HK$10,000	**100%**	100%	Intermediate holding company
Innovent Cells (HK) Limited	Hong Kong 17 June 2021	Registered capital of HK$10,000 and paid-up capital of nil	Registered capital of HK$10,000 and paid-up capital of nil	**100%**	100%	Intermediate holding company
信達細胞製藥(蘇州)有限公司 Innovent Cells Pharmaceuticals (Suzhou) Co., Ltd.*	PRC 16 November 2021	Registered capital of USD50,000,000 and paid-up capital of nil	Registered capital of USD50,000,000 and paid-up capital of nil	**100%**	100%	Research and development
Innovent Biologics (Ireland) Limited	Ireland 1 June 2022	Registered capital of EUR 1 and paid-up capital of nil	NA	**100%**	NA	Business service
夏爾巴生物技術(杭州)有限公司 Altruist Biotechnology (Hangzhou) Limited*	PRC 24 May 2022	Registered capital of RMB5,000,000 and paid-up capital of nil	NA	**100%**	NA	Research and development
夏爾巴生物技術(蘇州)有限公司 Altruist Biotechnology (Suzhou) Limited*	PRC 29 June 2022	Registered capital of RMB5,000,000 and paid-up capital of nil	NA	**100%**	NA	Research and development
蘇州信成博康壹號創業投資合夥企業(有限合夥) Suzhou Xin Cheng Bo Kang Yi Hao Venture Capital Partnership (Limited Partnership)*	PRC 24 February 2022	Registered capital of RMB50,000,000 and paid-up capital of RMB14,979,108	NA	**100%**	NA	Capital service

17. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital 31 December 2022	31 December 2021	Shareholding/ equity interests attributable to the Company as at 31 December 2022	31 December 2021	Principal activities
Indirectly held: (Continued)						
蘇州信成博康壹號企業管理合夥企業(有限合夥)	PRC 7 June 2022	Registered capital of RMB51,000,000 and paid-up capital of RMB20,200,000	NA	**100%**	NA	Capital service
InnoPinnacle International I Inc	Cayman Islands 11 January 21	Registered capital of USD50,000 and paid-up capital of nil	Registered capital of USD50,000 and paid-up capital of nil	**100%**	100%	Business service
Innopinnacle Fund I L P ("Inno Fund")	Cayman Islands 17 March 22	Registered capital of USD70,000,000 and paid-up capital of USD15,512,685	NA	**43% (note)**	NA	Business service
上海信恒盈峰企業管理有限公司 Shanghai Xin Heng Ying Feng Enterprise Management Co., Ltd*	PRC 25 November 22	Registered capital of RMB2,000,000 and paid-up capital of nil	NA	**100%**	NA	Business service
InnoPinnacle Fund Management Pte Ltd	Singapore 25 February 22	Registered capital of SGD 1 and paid-up capital of SGD 1	NA	**100%**	NA	Business service

None of the subsidiaries had issued any debt securities at the end of both years.

* English name for identification only

Note:

The Group is able to control Xinhe and Inno Fund because the Group undertake and have exclusive responsibility and full control for the conduct, management, operation and administration of the business.

18. EQUITY INSTRUMENTS AT FVTOCI

	2022 RMB'000	2021 RMB'000
Listed		
– Equity securities (note)	**202,570**	203,446

Note: The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run. Loss in fair value amounting to RMB876,000 (2021: RMB120,009,000) is recognised during the year ended 31 December 2022.

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**584,749**	806,087
Work in progress	**484,606**	382,728
Finished goods	**359,527**	154,825
Goods in transit	**–**	3,600
	1,428,882	1,347,240

20. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables from contracts with customers	**575,269**	968,405

As at 1 January 2021, trade receivables from contracts with customers amounting to RMB475,378,000.

The Group allows an average credit period of 45 to 60 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the invoice date.

	2022 RMB'000	2021 RMB'000
0–60 days	**575,269**	968,405

As at 31 December 2022 and 2021, none of the Group's trade receivables are past due as at reporting date.

21. PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments	**26,613**	40,679
Other receivables	**279,656**	139,577
Prepaid bonus (note a)	**117,411**	131,242
Other loans (note b)	**3,769**	9,139
Other tax recoverables	**96,368**	13,858
Rental deposits	**5,762**	6,424
	529,579	340,919
Analysed as:		
Non-current	**193,058**	127,658
Current	**336,521**	213,261
	529,579	340,919

21. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

(a) On 26 August 2018, in consideration of future performance of their duties as directors of the Company, the Company granted bonuses in the total amount of RMB198.5 million to two directors of the Company (including Dr. Yu), which is equal to the sum of 1) subscription receivables from these directors of the Company in the amount of RMB76.4 million (comprising subscription receivables for restricted shares in the amount of RMB29.2 million and subscription receivables for share options due from two directors of the Company in the amount of RMB47.2 million); 2) an amount of RMB32.9 million due from these two directors of the Company in respect of the withholding tax resulting from the restricted shares and share options subscriptions; and 3) an amount of RMB89.2 million due from these two directors of the Company in respect of the withholding tax resulting from the grant of the prepaid bonuses as at 26 August 2018.

On 13 May 2021, 21 June 2021 and 14 June 2022, the Company granted bonuses in the total amount of RMB78.6 million to Dr. Yu, which is equal to the amount due from Dr. Yu of the Company in respect of the withholding tax resulting from the restricted shares subscription.

Based on the relevant terms of the directors' respective service agreements (which reflected the relevant contractual terms of these directors' bonus plan), the outstanding subscription receivables and the amount paid or payable for these directors of the Company in respect of the withholding tax resulting from the share subscriptions and the grant of these bonuses as at 26 August 2018, 12 May 2021, 21 June 2021 and 14 June 2022 were converted to bonuses paid in advance to directors of the Company. These directors of the Company shall be liable to return the whole or part of the bonuses and the relevant tax paid for them if certain service and/or performance conditions are not satisfied in accordance with the relevant terms of the respective directors' service agreements.

During the year ended 31 December 2022, RMB26.8 million (2021: RMB20.3 million) was recognised as bonus expense based on the underlying terms of bonus plan and recorded under administrative expenses in accordance with the relevant terms of services agreements and RMB28.0 million (2021: RMB25.4 million) is expected to be recognised in the next twelve months and therefore, it is classified as current assets.

(b) On 2 May 2018, pursuant to the board resolution of the compensation committee of the Company, the board of the Company has approved the acceleration of exercise of shares options granted to 33 individuals. Along with the acceleration of share options, 9 individuals have signed separate loan agreements with the Company for onshore loan and Innovent Suzhou for offshore loan for financing their payment on exercising the share options and individual income tax.

During the year ended 31 December 2019, the Company has further entered loan agreements with remaining individuals regarding the unsettled subscription price and other costs in relation to the accelerated share options.

All of the loans are interest bearing at 3.5% per annum. The loans will be repaid according to the various repayment schedule before May 2024, in which RMB2.3 million (year ended 31 December 2021: RMB7.5 million) will be repaid within a year and classified as current receivables while the remaining RMB1.5 million (year ended 31 December 2021: RMB1.5 million) will be repaid after twelve months and classified as non-current receivables.

22. OTHER FINANCIAL ASSETS

	Current		Non-current	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other investments at FVTPL (note a)	**3,213**	–	**427,627**	213,809
Wealth management plans (note b)	**–**	638,213	**–**	–
Derivative financial instruments (not under hedge accounting) (note c)	**–**	6,635	**–**	–
	3,213	644,848	**427,627**	213,809

22. OTHER FINANCIAL ASSETS (Continued)

Notes:

(a) Other investments at FVTPL comprise of:

Unlisted equity investments

On 19 December 2019, 20 July 2020 and 8 September 2021, the Group subscribed convertible redeemable shares of a private entity incorporated in United States of America. The Group has the right to demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon the occurrence of redemption events which are outside the control of the issuer and accordingly the investment is measured at FVTPL. Gain from changes in fair value amounting to RMB3,013,000 is recognised during the year ended 31 December 2022 (2021: RMB39,912,000). Details of fair value measurements are set out in note 36.

On 15 March 2021, the Group subscribed preferred shares which represent 8.7% of the equity of a private entity incorporated in Indonesia and accordingly the investment is measured at FVTPL. During the year ended 31 December 2022, the private entity completed new round financing, the equity percentage of the Group was diluted to 7.68%. Loss from changes in fair value amounting to RMB12,157,000 is recognised during the year ended 31 December 2022 (2021: gain on fair value change amounting to RMB34,579,000). Details of fair value measurements are set out in note 36.

On 27 September 2021, the Group subscribed preferred shares which represent 5.2397% of the equity of a private entity incorporated in the PRC and accordingly the investment is measured at FVTPL. Gain from changes in fair value amounting to RMB30,119,000 is recognised during the year ended 31 December 2022 (2021: Nil). Details of fair value measurements are set out in note 36.

On 16 March 2022, the Group subscribed preferred shares which represent 6.42% of the equity of a private entity incorporated in Cayman and accordingly the investment is measured at FVTPL. No change in fair value is recognised during the year ended 31 December 2022. Details of fair value measurements are set out in note 36.

On 6 July 2022, the Group subscribed preferred shares which represent 21.27% of the equity of a private entity incorporated in Cayman and accordingly the investment is measured at FVTPL. No change in fair value is recognised during the year ended 31 December 2022. Details of fair value measurements are set out in note 36.

On 9 August 2022, the Group subscribed preferred shares which represent 2.69% of the equity of a private entity incorporated in the United Stated and accordingly the investment is measured at FVTPL. No change in fair value is recognised during the year ended 31 December 2022. Details of fair value measurements are set out in note 36.

On 13 September 2022, the Group subscribed preferred shares which represent 2.8735% of the equity of a private entity incorporated in Cayman and accordingly the investment is measured at FVTPL. No change in fair value is recognised during the year ended 31 December 2022. Details of fair value measurements are set out in note 36.

On 28 October 2022, the Group subscribed ordinary shares which represent 5.2632% of the equity of a private entity incorporated in PRC and accordingly the investment is measured at FVTPL. No change in fair value is recognised during the year ended 31 December 2022. Details of fair value measurements are set out in note 36.

On 9 November 2022, the Group subscribed ordinary shares which represent 7.3171% of the equity of a private entity incorporated in PRC and accordingly the investment is measured at FVTPL. No change in fair value is recognised during the year ended 31 December 2022. Details of fair value measurements are set out in note 36.

On 8 December 2022, the Group subscribed preferred shares which represent 0.92% of the equity of a private entity incorporated in the United Stated and accordingly the investment is measured at FVTPL. No change in fair value is recognised during the year ended 31 December 2022. Details of fair value measurements are set out in note 36.

Warrants for equity securities listed in Hong Kong

On 14 July 2021, the Group obtained warrants for subscription of 6,787,587 ordinary shares of a listed entity incorporated in Hong Kong on or before 14 July 2023 at a price of HK$57.2 per share. The warrant is measured at FVTPL and a loss on fair value change amounting to RMB18,545,000 (2021: gain on fair value change amounting to RMB21,758,000) is recognised during the year ended 31 December 2022. Details of the above fair value instruments are set out in note 36.

22. OTHER FINANCIAL ASSETS (Continued)

Notes:

(b) The Group invested in wealth management plans managed by financial institutions in the PRC.

The principal is either guaranteed or unguaranteed by the relevant financial institutions with an expected return rate as stated in the contract ranging from 0.45% to 0.75% per annum as at 31 December 2021. The investments are classified as financial assets measured at FVTPL and fully matured during the current year.

(c) During the year ended 31 December 2021, forward foreign exchange contracts are purchased by the Group for the purpose of managing exchange rate risks which are not designated as hedging instruments. As such, the gains and losses arising from changes in fair value of these contracts are directly recognised in profit and loss in the period. As at 31 December 2022, all the forward foreign exchange contracts have been settled.

23. BANK BALANCES AND CASH

	2022 RMB'000	2021 RMB'000
Cash at bank	**695,624**	785,943
Cash on hand	**169**	633
Term deposits with maturity date less than three months	**320,372**	572,832
Cash and cash equivalents	**1,016,165**	1,359,408
Term deposits with maturity date over three months (note)	**7,245,216**	5,943,272
Pledged bank deposits (note 27)	**901,442**	1,074,415
	9,162,823	8,377,095

Note: The term deposits are under the Group's rights of early redemption at its principal before the maturity date. In the event of early withdrawal prior to maturity, a prevailing current account interest rate would be offered instead of the term deposits interest rate without any penalty. The term deposits are then classified as current assets.

Bank balances carry interest at market rates ranging as follows per annum:

	2022	2021
Term deposits	**1.99%-5.50%**	0.15%-3.99%
Cash at bank	**0.01%-0.35%**	0.01%-0.35%

The carrying amounts of the Group's term deposits and bank balances and cash denominated in currencies other than functional currencies of the relevant group entities at the end of the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
USD	**8,013,075**	7,043,938
HK$	**8,909**	115,294
GBP	**685**	–

24. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**267,942**	195,050
Bills payables	**57,680**	–
	325,622	195,050

The average credit period on trade purchases is 0 to 180 days. Ageing analysis of the Group's trade and bills payables based on the invoice dates at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
0–30 days	**170,865**	132,269
31–60 days	**58,614**	49,865
Over 60 days	**96,143**	12,916
	325,622	195,050

25. OTHER PAYABLES AND ACCRUED EXPENSES

	2022 RMB'000	2021 RMB'000
Accrued expenses		
– Research and development expenses (note a)	**706,815**	370,954
– Royalties and other related payments	**191,818**	365,381
– Selling and marketing expenses	**155,788**	64,632
– Legal and professional fee	**13,137**	22,517
– Employee reimbursement	**87,536**	114,142
– Compensation to distributors for price reduction (note b)	**–**	399,417
– Others	**52,802**	18,315
	1,207,896	1,355,358
Amounts due to partners of joint operations (note c)	**34,415**	59,411
Interest payables	**4,363**	2,944
Other payables	**44,726**	63,110
Other tax payable	**57,719**	32,182
Payables in respect of acquisition of property, plant and equipment	**224,571**	203,714
Payables in respect of acquisition of intangible assets	**–**	47,818
Staff payroll payables	**247,287**	287,087
	1,820,977	2,051,624

25. OTHER PAYABLES AND ACCRUED EXPENSES (Continued)

Notes:

a. Amounts included accrued service fees to outsourced service providers, namely, contract research organisation and clinical trial sites.

b. In December 2021, National Reimbursement Drug List ("NRDL") negotiation has been completed resulting to a price deduction over a product of the Group. The amount refers to the potential compensation to distributors for price deduction according to industry common practice. As of 31 December 2022, the amount refers to the compensation has been settled.

c. The amount is unsecured, non-interest bearing and repayable on demand.

26. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Amounts received in advance for licence to commercialise	**1,004,007**	814,013
Analysed by		
Current	**434,911**	355,506
Non-current	**569,096**	458,507
	1,004,007	814,013

As at 1 January 2021, contract liabilities amounted to RMB708,581,000.

During the year ended 31 December 2022, the Group received collaboration fee and milestone payment of RMB586.7 million (2021: RMB365.2 million) for granting a commercialisation licence to a customer in previous years. With the commercialisation in March 2019, the Group commenced to recognise the relevant licence fee income over time on a systematic basis that is consistent with the customer receives and consumes the benefits during the commercialisation stage. Licence fee income of RMB396.8 million was recognised during the year ended 31 December 2022 (2021: RMB259.8 million). License fee income amounting to RMB266.5 million recognized during the year ended 31 December 2022(2021: RMB172.2 million) was included in the contract liability balance at the beginning of the year.

27. BORROWINGS

	2022 RMB'000	2021 RMB'000
Fixed-rate borrowings – at amortised cost	**3,103,433**	2,388,261
Analysed as:		
Secured	**2,008,855**	1,411,126
Unsecured*	**1,094,578**	977,135
	3,103,433	2,388,261
The carrying amounts of the above borrowings are repayable**:		
Within one year	**888,000**	365,000
Within a period of more than one year but not exceeding two years	**509,000**	638,000
Within a period of more than two years but not exceeding five years	**1,311,855**	966,422
Within a period of more than five years	**394,578**	418,839
	3,103,433	2,388,261
Less: Amounts due within one year shown under current liabilities	**(888,000)**	(365,000)
Amounts shown under non-current liabilities	**2,215,433**	2,023,261

* In accordance with the loan agreements, for borrowings with carrying amount of RMB695 million, the Group is required to pledge qualified assets within 5 years since 30 September 2020, or repay of the loan in advance.

** The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates on the Group's fixed-rate borrowings are as follows:

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	**2.60%–4.90%**	3.25%–4.90%

The Group pledged the following assets to secure credit facilities granted to the Group:

	2022 RMB'000	2021 RMB'000
Property, plant and equipment (note 14)	**889,354**	488,517
Right-of-use assets – leasehold land (note 15)	**279,919**	285,975
Pledged bank deposits (note 23)	**901,442**	1,074,415
	2,070,715	1,848,907

28. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	**26,392**	22,273
Within a period of more than one year but not more than two years	**26,246**	12,883
Within a period of more than two years but not more than five years	**37,301**	34,045
Within a period of more than five years	**35,136**	39,464
	125,075	108,665
Less: Amount due for settlement with 12 months shown under current liabilities	**(26,392)**	(22,273)
Amount due for settlement after 12 months shown under non-current liabilities	**98,683**	86,392

The weighted average incremental borrowing rates applied to lease liabilities range from 4.75% to 4.90% (2021: from 4.35% to 4.90%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities set out below:

	2022 RMB'000	2021 RMB'000
GBP	**–**	859
USD	**70,360**	39,156
HK$	**37**	32

29. GOVERNMENT GRANTS

	2022 RMB'000	2021 RMB'000
Subsidies related to property, plant and equipment (note a)	**299,133**	291,314
Other subsidies (note b)	**15,048**	3,453
	314,181	294,767

Notes:

(a) The Group received government subsidies for capital expenditure incurred for the plant and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) Other subsidies are generally provided in relation to research and development activities of the Group.

30. OTHER FINANCIAL LIABILITIES

	2022 RMB'000	2021 RMB'000
The net assets attribute to other partners of investment fund consolidated	**162,305**	342

During the years ended 31 December 2022, the Group received the proceeds from other partners of investment fund consolidated amounting to RMB178,473,000(2021: RMB2,000,000). Other gains and losses derived from operation of funds attribute to other partners is RMB16,510,000(2021: RMB1,658,000).

31. SHARE CAPITAL

	Number of ordinary shares	Amount USD'000
Authorised		
At 1 January 2021, 31 December 2021 and 2022	**5,000,000,000**	**50**

31. SHARE CAPITAL (Continued)

	Number of shares	Amount USD'000	Equivalent amount of ordinary shares RMB'000
Issues and fully paid			
At 1 January 2021	1,402,775,997	13	97
Issuance of ordinary shares (note a)	52,000,000	1	3
Exercise of share options (note b)	7,332,667	–	1
At 31 December 2021	**1,462,108,664**	**14**	**101**
Issuance of ordinary shares (note c)	**56,975,670**	**1**	**4**
Exercise of share options (note d)	**11,021,781**	**–**	**– ***
Issuance of restricted shares (note e)	**4,300,868**	**–**	**– ***
At 31 December 2022	**1,534,406,983**	**15**	**105**

* : Amount is less than RMB1,000.

Notes:

(a) On 15 January 2021, the Company entered into a placing agreement with a sole placing agent pursuant to which an aggregate of 52,000,000 ordinary shares issued by the Company have been placed by the sole placing agent on 22 January 2021 at HK$90.90 per share. The net proceeds of this placing is HK$4,661.1 million (equivalent to RMB3,885.4 million) (after deducting commission of HK$9.5 million and transaction cost of HK$56.2 million (equivalent to RMB8.0 million and RMB46.7 million)). The net proceeds received by the Company was recognised as share capital at par value of US$0.00001 each and the remaining amount was recognised as share premium of the Company.

(b) During the year ended 31 December 2021, a total of 7,332,667 ordinary shares were issued to the employees in connection with the exercise of share options under the Pre-IPO plan at an aggregate exercise price of US$1,623,196 (equivalent to RMB10,429,000).

(c) On 4 August 2022, the Group entered into a share issuance agreement with an independent third party pursuant to which an aggregate of 56,975,670 ordinary shares were issued to this independent third party at HK$42.42 per share. The net proceeds of this issuance is EUR300 million (equivalent to RMB2,089 million). The net proceeds received by the Group was recognised as share capital at par value of US$0.00001 each and the remaining amount was recognised as share premium of the Company.

(d) During the year ended 31 December 2022, a total of 9,962,542 and 1,059,239 ordinary shares were issued to the employees in connection with the exercise of share options under the Pre-IPO plan and Post-IPO plan at an aggregate exercise price of USD2,154,000 (equivalent to RMB14,584,000) and HKD29,976,000 (equivalent to RMB27,472,000) respectively.

(e) During the year ended 31 December 2022, a total of 4,300,868 restricted shares were issued to Dr. Yu, independent non-executive directors and other employees of the Group.

32. SHARE-BASED PAYMENT TRANSACTIONS

(i) Pre-IPO Plan

On 10 May 2012, the shareholders of the Company approved the adoption of the Pre-IPO Plan for the purpose of incentivising, retaining and rewarding certain employees, board members and individual consultant or adviser who renders bona fide services to the Company or its subsidiaries ("Eligible Person") for their contributions the Group's business, and to align their interests with those of the Group. The Pre-IPO Plan divided into two separate equity programs: (a) share award program and (b) option and share appreciation rights grant program. The overall limit on the number of underlying shares which may be delivered pursuant to all awards granted under the Pre-IPO Plan is 165,476,820 shares of the Company, subject to any adjustments for other dilutive issuances. All restricted shares under share award program have been vested as at 31 December 2021.

Option and share appreciation rights grant program

For 7,900,000 (2021: 7,900,000) share options granted, 50% of the granted options shall vest on the fifth anniversary of the vesting commencement date and the remaining 50% shall vest on the sixth anniversary of the vesting commencement date. For the remaining 84,230,000 options granted, 75% of the granted options shall vest on the third anniversary of the vesting commencement date, and the remaining 25% shares shall vest on the fourth anniversary of the vesting commencement date. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. The share options granted are exercisable from the respective vesting dates to the last day of the ten-year period after the grant date.

The following table discloses movements of the Company's share options held by grantees during the years:

	Number of share options Employees	
	2022	2021
As at 1 January	**42,425,296**	51,229,213
Forfeited	**(2,041,250)**	(1,471,250)
Exercised	**(9,962,542)**	(7,332,667)
Expired	**(150,000)**	–
As at 31 December	**30,271,504**	42,425,296

As at 31 December 2022, 25,476,504 (2021: 26,514,046) outstanding options under the Pre-IPO Plan were exercisable.

For the outstanding options, vesting period ranges from 15 May 2016 to 8 October 2024, weighted average remaining contractual life being 5.35 years, exercise price ranges from US$0.02 to US$1.34 and weighted average exercise price being US$0.22.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(i) Pre-IPO Plan (Continued)

Option and share appreciation rights grant program (Continued)

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the years:

	2022	2021
Forfeited	**US$1.07**	US$0.23
Exercised	**US$0.22**	US$0.22
Expired	**US$0.02**	NA

No share appreciation right was outstanding nor issued during any of the reporting period.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB1,156,000 for the year ended 31 December 2022 (2021: restated amounting to RMB30,212,000).

(ii) Post-IPO ESOP

On 13 October 2018, shareholders resolution was passed to adopt the Post-IPO ESOP. The purpose of the Post-IPO ESOP is to encourage participants to work towards enhancing the value of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP is 111,815,071, being no more than 10% of the shares in issue on the date the shares commence trading on The Stock Exchange of Hong Kong Limited.

The following table discloses movements of the Company's share options held by grantees under post-IPO ESOP during the year:

	Number of share options			
	Directors of the Company		Employees	
	2022	2021	**2022**	2021 *(Restated)*
As at 1 January	**9,180,952**	7,802,381	**35,390,011**	26,568,180
Granted	**1,938,404**	1,378,571	**12,034,006**	12,229,898
Forfeited	**–**	–	**(10,788,175)**	(3,408,067)
Exercised	**–**	–	**(1,059,239)**	–
As at 31 December	**11,119,356**	9,180,952	**35,576,603**	35,390,011

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(ii) Post-IPO ESOP (Continued)

On 30 March 2022 and 1 June 2022, the Company granted a total of 1,938,404 share options to directors of the Group, subject to the accomplishment of certain non-market performance conditions.

On 30 March 2022, 1 June 2022, 8 July 2022, 29 August 2022 and 9 December 2022, the Company granted a total of 12,034,006 share options to employees of the Group, subject to the accomplishment of certain non-market performance conditions.

The granted options shall initially be unvested. Among 2,222,969 and 714,286 shares granted in 2019 and 2021, 50% of the granted options shall vest on the fifth anniversary of the vesting commencement date and the remaining 50% of the granted shares shall vest on the sixth anniversary of the vesting commencement date. For the remaining granted options, 75% of the granted options shall vest on the third anniversary of the vesting commencement date while another 25% shall vest on the fourth anniversary of the vesting commencement date, subject to the performance condition to be fulfilled. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time before the share options expired, i.e. ten years after the date of vesting commencement.

For the outstanding options, vesting period ranges from 14 March 2022 to 22 June 2027, weighted average remaining contractual life being 7.94 years, exercise price ranges from HK$24.30 to HK$91.05 and weighted average exercise price being HK$43.90.

As at 31 December 2022, a total of 4,170,318 (2021: Nil) outstanding options under the Post-IPO ESOP were exercisable.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the periods:

	Directors of the Company		Employees	
	2022	2021	**2022**	2021 *(Restated)*
Granted	**HK$30.22**	HK$78.20	**HK$31.01**	HK$81.97
Forfeited	**–**	–	**HK$53.11**	HK$46.85
Exercised	**–**	–	**HK$28.30**	–

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(ii) Post-IPO ESOP (Continued)

Fair value of share options granted

Binomial Options Pricing Model was used to determine the fair value of the options granted during the years ended 31 December 2021 and 2022. Key assumptions, such as expected dividend yield, post-vesting exit rate, expected exercise multiple, risk-free interest rate and expected volatility, are determined by the directors of the Company with best estimate.

The key inputs into the model were as follows:

	2022	2021
Fair value per option on grant date	**HK$15.24–HK$24.05**	HK$37.80–HK$62.53
Weighted average share price of the Company on grant date	**HK$27.85–HK$36.80**	HK$61.80–HK$90.05
Exercise price	**HK$24.30–HK$37.55**	HK$64.69–HK$90.05
Expected volatility	**64.62%–65.73%**	65.91%–66.56%
Risk-free interest rate	**2.16%–3.48%**	1.09%–1.446%
Expected dividend yield	**0%**	0%
Post-vesting exit rate	**0%**	0%
Expected exercise multiple	**2.2–2.8**	2.2–2.8

The directors of the Company estimated the risk-free interest rate based on the yield of Hong Kong Government Bonds issued under the Institutional Bond Issuance Programme with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB207,350,000 for the year ended 31 December 2022 (2021: restated amounting to RMB266,055,000).

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iii) 2018 RS Plan

On 15 October 2018, the board of directors approved the RS Plan to issue 55,907,535 restricted shares within two years of the Company's IPO. The purpose of the RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company and stimulate the efforts of such persons on the Group's behalf.

(a) Directors

On 14 June 2019, the Company granted an aggregate of 6,901,796 restricted shares to Dr. Yu with nil consideration.

The restricted shares shall initially be unvested and subject to repurchase by the Company upon the Repurchase Option. The restricted shares shall be vested on a 20% per annum over a 5 years vesting period with the first vesting date as May 2020 and released from the Repurchase Option.

On 15 April 2020, the Company granted an aggregate of 1,450,000 and 320,000 restricted shares to two directors with nil consideration subject to the accomplishment of certain non-market performance conditions.

The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2023 while another 25% shall vest in 2024, subject to the performance condition to be fulfilled.

Further on 15 April 2020, the Company granted a maximum of equivalent in value to RMB360,000 restricted shares (equivalent to 8,625 shares) at nil consideration to 3 independent non-executive directors of the Group. The restricted shares were vested on 1 January 2021.

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited on the grant date.

(b) Employees

On 2 May 2019, 14 June 2019, 29 August 2019 and 4 December 2019, the Company granted a maximum of 102,648, 1,056,000, 1,555,000 and 4,207,082 restricted shares at nil consideration to employees of the Group, subject to the accomplishment of certain non-market performance conditions respectively.

On 2 May 2019, the Company granted a maximum of 2,732,437 restricted shares at nil consideration to employees of the Group, subject to the accomplishment of certain non-market performance conditions.

The restricted shares shall initially be unvested. 50% of the restricted shares shall vest in 2024 while another 50% shall vest in 2025, subject to the performance condition to be fulfilled.

On 15 April 2020 and 11 June 2020, the Company granted a total of 3,982,880 and 6,708,767, restricted shares at nil consideration to employees of the Group respectively, subject to the accomplishment of certain non-market performance conditions.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iii) 2018 RS Plan (Continued)

(b) Employees (Continued)

The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2023 while another 25% shall vest in 2024, subject to the performance condition to be fulfilled.

Both the directors of the Company and eligible employees shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employees shall not transfer any vested shares, or any interest therein until the employees has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

The following table summarised the Group's unvested restricted shares movement under 2018 RS Plan.

	2018 RS Plan	
	Number of unvested restricted shares	Weighted average grant date fair value per share HK$
Unvested as at 1 January 2021 (Restated)	12,247,266	36.44
Vested	(1,388,984)	26.36
Forfeited	(385,826)	44.29
Unvested as at 31 December 2021 (Restated)	**10,472,456**	**37.49**
Vested	**(1,549,244)**	**26.30**
Forfeited	**(1,808,578)**	**36.80**
Unvested as at 31 December 2022	**7,114,634**	**40.10**

The Group measured the fair value of the unvested restricted shares as of the grant dates and is recognised as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees of the Group and directors of the Company are RMB59,219,000 (2021: RMB97,306,000) for the year ended 31 December 2022.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iii) 2018 RS Plan (Continued)

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited on the grant date.

The 2018 RS Plan was terminated in its entirety on 12 June 2020, the adoption date of the 2020 RS Plan. Nonetheless, the rights and obligations of the grantees and the Company with respect to the restricted shares that have been granted or earmarked pursuant to the 2018 RS Plan on or before the date of termination as provided (or will be provided) in the relevant award agreements shall survive termination of the 2018 RS Plan and remain in full force and effect except otherwise provided for the relevant award agreements.

(iv) 2020 RS Plan

On 12 June 2020, the board of directors approved the 2020 RS Plan to issue 67,152,410 restricted shares within five years. The purpose of the 2020 RS Plan is to enable the directors, officers, and other key contributors and employees of the Group, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

On 27 August 2020 and 3 December 2020, the Company granted a total of 1,657,000 and 6,474,864 restricted shares at nil consideration to employees of the Group, subject to the accomplishment of certain non-market performance conditions respectively. The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2023 while another 25% shall vest in 2024, subject to the performance condition to be fulfilled.

On 30 March 2021, 23 June 2021, 26 August 2021 and 06 December 2021, the Company granted a total of 3,227,333, 2,128,056, 354,000 and 1,481,110 restricted shares at nil consideration to employees of the Group, subject to the accomplishment of certain non-market performance conciliations respectively. The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2024 while another 25% shall vest in 2025, subject to the performance condition to be fulfilled.

Further on 30 March 2021, the Company granted a maximum of equivalent in value to RMB360,000 restricted shares (equivalent to 5,535 shares) at nil consideration to 3 independent non-executive directors of the Group. The restricted shares were vested on 1 January, 2022.

On 06 December 2021, the Company granted a total number of 36,800 restricted shares at nil consideration to employees of the Group, subject to the accomplishment of certain non-market performance conciliations respectively. These restricted shares shall vest on grant date.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iv) 2020 RS Plan (Continued)

On 30 March 2022, the Company granted a total of 2,592,978 and 15,851,353 restricted shares at nil consideration to directors and employees of the Group, subject to the accomplishment of certain non-market performance conciliations respectively. The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2025 while another 25% shall vest in 2026, subject to the performance condition to be fulfilled.

On 30 March 2022 and 1 June 2022, the Company further granted a total number of 11,587 and 14,631 restricted shares at nil consideration to directors of the Group. The restricted shares shall be vested on a 33.33% per annum over a 3 years vesting period with the first vesting date as March and June 2023, subject to the performance condition to be fulfilled.

On 8 July 2022, 29 August 2022 and 9 December 2022 the Company granted a total of 326,000, 110,000 and 1,259,407 restricted shares at nil consideration to employees of the Group, subject to the accomplishment of certain non-market performance conciliations respectively. The restricted shares shall initially be unvested. 75% of the restricted shares shall vest in 2025 while another 25% shall vest in 2026, subject to the performance condition to be fulfilled.

Both the directors of the Company and eligible employees shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employees shall not transfer any vested shares, or any interest therein until the employees has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

The following table summarised the Group's unvested restricted shares movement under 2020 RS Plan.

	2020 RS	
	Number of unvested restricted shares	Weighted average grant date fair value per share HK$
Unvested as at 1 January 2021 (Restated)	**4,744,169**	53.93
Granted	**5,278,207**	74.82
Vested	**(36,800)**	61.80
Forfeited	**(349,816)**	72.08
Unvested as at 31 December 2021 (Restated)	**9,635,760**	64.69
Granted	**20,165,956**	30.81
Vested	**(26,664)**	87.35
Forfeited	**(4,991,904)**	46.33
Unvested as at 31 December 2022	**24,783,148**	40.79

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iv) 2020 RS Plan (Continued)

The Group measured the fair value of the unvested restricted shares as of the grant dates which is recognised the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees of the Group and directors of the Company are RMB201,765,000 for the year ended 31 December 2022 (2021: restated amounting to RMB107,999,000).

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited on the grant date.

33. CAPITAL COMMITMENT

	2022 RMB'000	2021 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of property, plant and equipment	**1,433,425**	1,628,430
Acquisition of intangible asset	**30,824**	19,087
	1,464,249	1,647,517

34. RETIREMENT BENEFIT PLANS

The PRC

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. The total expense recognised in profit or loss of RMB313,779,862 (2021: RMB227,837,059) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

The Company does not operate any other defined contribution schemes, and as such, there is no forfeited contributions, nor does the Company employ any actuary for defined benefit plans.

34A. TRANSACTIONS AND BALANCES WITH DR. YU

Historically, the Group used certain domain names which are owned by Dr. Yu for free. On 11 June 2018, the Group and Dr. Yu formalised the arrangement and entered into agreement pursuant to which Dr. Yu agreed to license his rights in the domain names to Innovent Suzhou for use by it and the Group in connection with business and operations on an exclusive and royalty-free basis for a term commencing from the date of the agreement until such times that Dr. Yu ceases to hold shares or ceases to be a director of the Company. Such rights in the domain names are not transferable to any third parties.

34B. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors of the Company and other members of key management was as follows:

	2022 RMB'000	2021 RMB'000
Short-term benefits	**39,919**	32,641
Share-based payment expenses	**129,142**	116,707
	169,061	149,348

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its shareholders and maintaining an adequate capital structure. The Group's overall strategy remain unchanged from prior year.

The capital structure of the Group consists of debts, which includes bank borrowings disclosed in note 27, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debt and redemption of existing debts.

36. FINANCIAL INSTRUMENTS

36a. Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Amortised cost	**10,027,279**	9,500,640
Measured at FVTPL	**430,840**	858,657
Equity instruments at FVTOCI	**202,570**	203,446
Financial liabilities		
Amortised cost	**3,737,130**	3,359,725
Measured at FVTPL	**162,305**	342

36b. Financial risk management objectives and policies

The Group's financial instruments include trade receivables, rental deposits, other receivables, other loans, other financial assets, equity instruments at FVTOCI, bank balances and cash, trade and bills payables, other payables, amounts due to partners of joint operations, borrowings and other financial liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances and cash, other financial asset, trade and other receivables and trade and other payables are denominated in foreign currencies of respective group entities which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and considers hedging significant foreign exchange of the Group exposure.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
USD	**8,497,860**	7,825,021	**(512,285)**	(39,157)

36. FINANCIAL INSTRUMENTS (Continued)

36b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against the relevant foreign currency. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax loss where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss. The disclosure below only reflects the impact of USD, as impacts from the remaining relevant foreign currency are insignificant.

	2022 RMB'000	2021 RMB'000
Impact of USD on loss for the year	**399,279**	374,342

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other loans (note 21), lease liabilities (note 28), fixed-rate borrowings (note 27) and cash flow interest rate risk in relation to bank balances (note 23). The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

Sensitivity analysis

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

Other price risk

The Group is exposed to equity price risk through its investments in equity instruments measured at FVTPL and FVTOCI. For equity securities measured at FVTOCI quoted in The Stock Exchange of Hong Kong Limited, the management of the Group keeps eyes on the stock price fluctuation to manage this exposure. In addition, the Group also invested in certain unquoted equity securities for investees operating in medical industry sector for long term strategic purposes which had been designated as FVTPL. The Group has appointed a team to monitor the price risk and will take proper trading actions when it is necessary.

36. FINANCIAL INSTRUMENTS (Continued)

36b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 36c.

If the prices of the respective equity instruments had been 5% higher/lower, the other comprehensive income would increase/decrease by RMB10,129,000 (2021: RMB10,172,000) as a result of the changes in fair value of FVTOCI.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, other receivables, other loans and rental deposits.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS (Continued)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers

The Group has concentration of credit risk as 56.9% (2021: 65.9%) and 68.1% (2021: 74.1%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on collective assessment. Except for debtors with significant balances and credit-impaired balances, which are assessed for impairment individually, the remaining trade receivables collectively assessed based on shared credit risk characteristics by reference to repayment histories for customers.

Trade receivables with significant outstanding balances with aggregate gross carrying amount of RMB449,791,000 as at 31 December 2022 (2021: RMB869,294,000) are assessed individually. The balances is from counterparties which has low risk of default and usually settled within credit period. The exposure to credit risk for the balance is assessed within lifetime ECL (non-credit impaired). The remaining trade receivables with gross carrying amount of RMB125,478,000 as at 31 December 2022 (2021: RMB99,111,000) are assessed based on debtors' ageing because these customers with common risk characters. In the opinion of the directors, the impairment loss for the trade receivables from the customers is insignificant.

Other receivables, other loans, and rental deposits

For the purpose of impairment assessment for other receivables, other loans and rental deposits, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

Bank deposits and other financial assets

The credit risk on liquid funds and other financial assets of the Group is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

36. FINANCIAL INSTRUMENTS (Continued)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	**2022 Gross carrying amount RMB'000**	2021 Gross carrying amount RMB'000
Financial asset at amortised cost						
Rental deposits	21	N/A	N/A (note a)	12m ECL	**5,762**	6,424
Other loans	21	N/A	N/A (note a)	12m ECL	**3,769**	9,139
Bank balances	23	A1 – A3	N/A	12m ECL	**9,162,654**	8,376,462
Other receivables	21		N/A (note a)		**279,656**	139,577
Trade receivables – contracts with customers	20	N/A	Low risk (note c)	Lifetime ECL (collective assessment)	**125,478**	99,111
			N/A (note b)	Lifetime ECL	**449,791**	869,294
					575,269	968,405

36. FINANCIAL INSTRUMENTS (Continued)

36b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

(a) For the purposes of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly. As at 31 December 2022 and 2021, the balances of rental deposits, other loans, other receivables are not past due and the internal credit rating of these balances are considered as low risk.

(b) For trade receivables with significant balances, the amount is individually assessed at lifetime ECL. The default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. As at 31 December 2022 and 2021, expected credit loss is considered as insignificant.

(c) Except for debtors with significant outstanding balances, the Group determines the ECL on the remaining trade receivables by using a collective assessment, grouped by past due status. The following tables provides information about the exposure to credit risk for trade receivables which are assessed based on collective assessment within lifetime ECL (not credit-impaired).

Gross carrying amount

	2022 Trade receivables RMB'000	2021 Trade receivables RMB'000
Current (not past due)	**125,478**	99,111

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilisation of borrowings, and renews the borrowings upon expiry based on the actual operation requirement of the Group. The Group relies on bank borrowings as a significant source of liquidity.

As at 31 December 2022, the Group has available unutilised specific loan facilities of RMB2,455,567,000 (2021: RMB2,635,739,000).

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (Continued)

36b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2022								
Trade and bills payables	–	267,942	57,680	–	–	–	325,622	325,622
Other payables	–	308,075	–	–	–	–	308,075	308,075
Borrowings – fixed rate	3.87	528,066	461,796	595,040	1,458,061	475,149	3,518,112	3,103,433
		1,104,083	519,476	595,040	1,458,061	475,149	4,151,809	3,737,130
Lease liabilities	4.87	8,374	24,515	30,229	44,475	38,144	145,737	125,075
At 31 December 2021								
Trade payables	–	195,050	–	–	–	–	195,050	195,050
Other payables	–	776,414	–	–	–	–	776,414	776,414
Borrowings – fixed rate	4.05	38,453	429,709	719,472	1,094,330	454,658	2,736,622	2,388,261
		1,009,917	429,709	719,472	1,094,330	454,658	3,708,086	3,359,725
Lease liabilities	4.85	8,219	19,905	16,653	41,829	43,837	130,443	108,665

36. FINANCIAL INSTRUMENTS (Continued)

36c. Fair value measurements of financial instruments

The fair value of financial assets (except for those set out below) are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis using prices from observable current market transactions.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at 31 December 2022 RMB'000	2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(1) Equity instruments at FVTOCI	**202,570**	203,446	Level 1	Active market quoted transaction price	N/A	N/A
(2) Other financial assets – investment in unlisted company	**94,814**	64,695	Level 3 (note f)	Market comparison approach - reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple")	DLOM-discount of lack of marketability/P/R&D multiple/Expected option life/Risk free rate/expected volatility	The higher the DLOM is, the lower the fair value is (note a). The higher the P/R&D is, the higher the fair value is (note b). The higher the expected volatility, the higher the fair value is. The lower the risk free rate, the higher the fair value is.

36. FINANCIAL INSTRUMENTS (Continued)

36c. Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 December 2022 RMB'000	2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(3) Other financial assets – investment in unlisted company	**63,304**	60,292	Level 3	Market comparison approach-reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple")	DLOM-discount of lack of marketability/P/R&D multiple/Expected option life/Risk free rate/expected volatility	The higher the DLOM is, the lower the fair value is (note c). The higher the P/R&D is, the higher the fair value is (note d). The higher the expected volatility, the higher the fair value is. The lower the risk free rate, the higher the fair value is.
(4) Other financial assets – investment in unlisted company	**54,907**	67,064	Level 3	Back-solve from recent transaction price market multiple method	IPO/Redemption/ Liquidation probability/ Expected option life/Risk free rate/ Expected volatility	The higher the expected volatility, the higher the fair value is. The lower the risk free rate, the higher the fair value is. The higher the IPO probability, the higher the fair value is. (note e)

36. FINANCIAL INSTRUMENTS (Continued)

36c. Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 December 2022 RMB'000	2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(5) Other financial assets – warrant of listed company	**3,213**	21,758	Level 3	Black Scholes Merton Model	Time to maturity/ Risk free rate/ Expected volatility	The longer the time to maturity is, the higher the fair value is. The higher the expected volatility, the higher the fair value is. The lower the risk free rate, the higher the fair value is.
(6) Other financial assets – investment in unlisted company	**30,000**	–	Level 2	Recent transaction price	N/A	N/A
(7) Other financial assets – investment in unlisted company	**30,000**	–	Level 2	Recent transaction price	N/A	N/A
(8) Other financial assets – investment in unlisted company	**20,894**	–	Level 2	Recent transaction price	N/A	N/A
(9) Other financial assets – investment in unlisted company	**17,411**	–	Level 2	Recent transaction price	N/A	N/A

36. FINANCIAL INSTRUMENTS (Continued)

36c. Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 December 2022 RMB'000	2021 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(10) Other financial assets – investment in unlisted company	**20,894**	–	Level 2	Recent transaction price	N/A	N/A
(11) Other financial assets – investment in unlisted company	**34,823**	–	Level 2	Recent transaction price	N/A	N/A
(12) Other financial assets – investment in unlisted company	**60,580**	–	Level 2	Recent transaction price	N/A	N/A
(13) Other financial assets – wealth management plan	**-**	638,213	Level 2	Discounted cashflow - Future cash flows are estimated based on expected return.	N/A	N/A
(14) Other financial assets – foreign currency forward contracts	**-**	6,635	Level 2	Discounted cashflow - future cashflows are estimated based on observable forward exchange rates and contracted forward rates discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

36. FINANCIAL INSTRUMENTS (Continued)

36c. Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Note a: A slight increase in the DLOM used in isolation would result in a slight decrease in the fair value measurement of unlisted equity investment. If the DLOM was 5% higher/lower while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease/increase by RMB5,573,000 as at 31 December 2022.

Note b: A slight increase in the P/R&D multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment and vice versa. If the P/R&D multiple was 5% higher/lower while all other variables remain constant, the carrying amount of the unlisted equity investment would increase/decrease by RMB3,910,000 as at 31 December 2022.

Note c: A slight increase in the DLOM used in isolation would result in a slight decrease in the fair value measurement of unlisted equity investment. If the DLOM was 5% higher/lower while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease/increase by RMB4,405,000 (2021: RMB3,927,000) as at 31 December 2022.

Note d: A slight increase in the P/R&D multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment and vice versa. If the P/R&D multiple was 5% higher/lower while all other variables remain constant, the carrying amount of the unlisted equity investment would increase/decrease by RMB3,083,000 (2021: RMB2,748,000) as at 31 December 2022.

Note e: A slight increase in the IPO probability used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment and vice versa. If the IPO probability was 10% higher/lower while all other variables remain constant, the carrying amount of the unlisted equity investment would increase/decrease by RMB13,522,000/13,116,000 (2021: RMB1,320,000) as at 31 December 2022.

Note f: The fair value hierarchy was transferred from Level 2 to Level 3 because no new equity transaction occurred for the year ended 31 December 2022.

(ii) Reconciliation of Level 3 fair value measurement

The following table presents the reconciliation of Level 3 measurements of financial assets at FVTPL during the years.

	RMB'000
At 1 January 2021	–
Purchase of other financial assets	39,923
Transferred from level 2	12,942
Fair value changes	96,249
At 31 December 2021	149,114
Transferred from level 2	64,695
Fair value changes	2,430
At 31 December 2022	216,239

36. FINANCIAL INSTRUMENTS (Continued)

36c. Fair value measurements of financial instruments (Continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

37. RECONCILIATION OF 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.

	Interest payables RMB'000 (note 25)	Lease liabilities RMB'000 (note 28)	Borrowings RMB'000 (note 27)	Accrued issue costs RMB'000	Total RMB'000
At 1 January 2021	1,628	26,390	1,180,178	–	1,208,196
Financing cash flows (note)	(75,621)	(26,925)	1,208,083	(54,696)	1,050,841
Interest expenses	76,937	3,205	–	–	80,142
New leases entered	–	105,995	–	–	105,995
Transaction costs attributable to issuance of new shares	–	–	–	54,696	54,696
At 31 December 2021 and 1 January 2022	**2,944**	**108,665**	**2,388,261**	**–**	**2,499,870**
Financing cash flows (note)	**(104,884)**	**(27,738)**	**715,172**	**–**	**582,550**
Interest expenses	**106,303**	**10,891**	**–**	**–**	**117,194**
New leases entered	**–**	**33,257**	**–**	**–**	**33,257**
At 31 December 2022	**4,363**	**125,075**	**3,103,433**	**–**	**3,232,871**

Note: The cash flows from interest payables, lease liabilities, borrowings and accrued issue costs make up the net amount of proceeds and repayments in consolidated statement of cash flows.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000 *(Restated)*
Non-current assets		
Investment in a subsidiary	**4,497,976**	3,619,964
Other financial assets	**273,605**	213,809
Equity instruments at FVTOCI	**202,570**	203,446
Prepayments and other receivables	**10,367**	13,640
Amounts due from subsidiaries	**9,346,386**	7,321,052
	14,330,904	11,371,911
Current assets		
Prepayments and other receivables	**102,412**	41,255
Amounts due from subsidiaries	**840,915**	394,207
Bank balances	**6,505,461**	5,144,890
Other financial assets	**3,213**	638,213
	7,452,001	6,218,565
Current liabilities		
Other payables and accrued expenses	**40,920**	19,577
Amounts due to subsidiaries	**314,039**	227,380
	354,959	246,957
Net current assets	**7,097,042**	5,971,608
Net assets	**21,427,946**	17,343,519
Capital and reserves		
Share capital	**105**	101
Reserves	**21,427,841**	17,343,418
Total equity	**21,427,946**	17,343,519

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movement of the reserves of the Company are as follows:

	Share premium RMB'000	FVTOCI reserve RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021 (original stated)	18,541,251	–	534,063	(5,666,892)	13,408,422
Prior year adjustments (note 3.1)	–	–	(150,359)	–	(150,359)
At 1 January 2021 (restated)	18,541,251	–	383,704	(5,666,892)	13,258,063
Loss and total comprehensive expenses for the year	–	(120,009)	–	(192,028)	(312,037)
Issuance of ordinary shares (note 31a)	3,940,088	–	–	–	3,940,088
Transaction costs attribute to issuance of new shares	(54,696)	–	–	–	(54,696)
Recognition of equity-settled Share-based payment	–	–	501,572	–	501,572
Vesting of restricted shares	32,252	–	(32,252)	–	–
Exercise of share options	34,763	–	(24,335)	–	10,428
At 31 December 2022 (restated)	**22,493,658**	**(120,009)**	**828,689**	**(5,858,920)**	**17,343,418**
At 1 January 2022 (original stated)	**22,493,658**	**(120,009)**	**1,388,346**	**(5,858,920)**	**17,903,075**
Prior year adjustments (note 3.1)	**–**	**–**	**(559,657)**	**–**	**(559,657)**
At 1 January 2022 (restated)	**22,493,658**	**(120,009)**	**828,689**	**(5,858,920)**	**17,343,418**
(Loss) profit and total comprehensive (expenses) income for the year	**–**	**(876)**	**–**	**1,485,159**	**1,484,283**
Issuance of ordinary shares (note 31 c)	**2,088,999**	**–**	**–**	**–**	**2,088,999**
Recognition of equity-settled Share-based payment	**–**	**–**	**469,085**	**–**	**469,085**
Issuance of restricted shares	**37,877**	**–**	**(37,877)**	**–**	**–**
Exercise of share options	**85,104**	**–**	**(43,048)**	**–**	**42,056**
At 31 December 2022	**24,705,638**	**(120,885)**	**1,216,849**	**(4,373,761)**	**21,427,841**

39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group entered into new lease agreements for the use of offices for 2-5 years (2021: 1-10 years). At the dates of lease commencement, the Group recognised an aggregate amounts of RMB33.3 million (2021: RMB106.5 million) of right-of-use assets and RMB33.3 million (2021: RMB106.5 million) lease liabilities.

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere of the consolidated financial statements, no important events affecting the Company occurred since the end of the reporting period and up to the date of this annual report.

Five Year Financial Summary

Condensed Consolidated Income Statements of Profit or Loss

	For the year ended 31 December				
	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000) *(Restated)*	**2022 (RMB'000)**
Revenue	9,477	1,047,525	3,843,819	4,269,729	**4,556,380**
Cost of Sales	–	(124,878)	(387,761)	(505,337)	**(930,990)**
Other income	93,795	144,081	246,787	196,881	**279,735**
Other gains and losses	(4,272,090)	15,075	(479,965)	(72,784)	**774,340**
Research and development expenses	(1,221,687)	(1,294,724)	(1,851,453)	(2,322,513)	**(2,871,220)**
Administrative expenses	(220,315)	(255,299)	(436,872)	(806,010)	**(835,488)**
Selling and marketing expenses	(136,006)	(692,515)	(1,340,861)	(2,620,142)	**(2,590,765)**
Royalties and other related payments	–	(499,725)	(384,057)	(719,077)	**(450,763)**
Listing expense	(57,187)	–	–	–	**–**
Finance costs	(68,969)	(59,490)	(68,350)	(62,464)	**(101,698)**
Income tax expense	–	–	(139,708)	(87,038)	**(8,801)**
Loss for the year	(5,872,982)	(1,719,950)	(998,421)	(2,728,755)	**(2,179,270)**

Condensed Consolidated Statements of Financial Position

	For the year ended 31 December				
	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	**2022 (RMB'000)**
Current assets	4,686,261	5,455,423	9,466,681	11,550,849	**11,506,708**
Inventories	66,121	358,597	705,658	1,347,240	**1,428,882**
Trade receivables	–	247,854	475,378	968,405	**575,269**
Prepayments and other receivables	72,309	151,626	164,515	213,261	**336,521**
Contract assets	7,505	2,185	–	–	**–**
Income tax recoverables	13,726	–	–	–	**–**
Other financial assets	–	462,519	357,297	644,848	**3,213**
Prepaid lease payments	1,248	–	–	–	**–**
Bank balances and cash	4,525,352	4,232,642	7,763,833	8,377,095	**9,162,823**
Current liabilities	670,321	1,043,556	1,485,851	3,050,047	**3,499,198**
Trade and bills payables	42,821	84,275	120,620	195,050	**325,622**
Other payables and accrued expenses	600,498	885,004	973,634	2,051,624	**1,820,977**
Contract liabilities	17,002	41,727	120,440	355,506	**434,911**
Borrowings	10,000	17,000	255,000	365,000	**888,000**
Lease liabilities	–	15,550	16,157	22,273	**26,392**
Tax Payables	–	–	–	60,594	**3,296**
Net current assets	4,015,940	4,411,867	7,980,830	8,500,802	**8,007,510**
Non-current assets	1,426,316	1,775,106	2,368,315	4,692,864	**6,082,137**
Non-current liabilities	1,247,842	1,430,842	1,569,375	2,863,269	**3,359,698**
Net assets (liabilities)	4,194,414	4,756,131	8,779,770	10,330,397	**10,729,949**
Total equity (deficiency of total equity)	4,194,414	4,756,131	8,779,770	10,330,397	**10,729,949**

Definitions

"1L"	first-line
"2L"	second-line
"2018 RS Plan"	the Innovent Biologics, Inc. 2018 Restricted Share Plan adopted by the Company on 15 October 2018
"2020 RS Plan"	the Innovent Biologics, Inc. 2020 Restricted Share Plan adopted by the Company on 12 June 2020
"ADC"	antibody-drug conjugate
"AGM" or "Annual General Meeting"	the annual general meeting of the Company to be held on June 21, 2023
"Articles of Association"	the thirteenth amended and restated articles of association of the Company adopted on 15 October 2018 with effect from Listing, as amended from time to time
"ASCO"	American Society of Clinical Oncology
"ASH"	American Society of Hematology
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"BMCA"	B cell maturation antigen
"Board" or "Board of Directors"	the board of directors of our Company
"BTK"	Bruton's tyrosine kinase
"CAR"	chimeric antigen receptor
"CC"	cervical cancer
"CEACAM5"	carcinoembryonic antigen-related cell adhesion molecule 5
"CD47"	cluster differentiation 47

Definitions

"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules, as amended from time to time
"China" or the "PRC"	the People's Republic of China
"CMC"	chemistry, manufacturing and controls
"CML"	chronic myeloid leukaemia
"CML-AP"	accelerated-phase chronic myeloid leukaemia
"CML-CP"	chronic-phase chronic myeloid leukaemia
"Company", "our Company", "the Company" or "Innovent"	Innovent Biologics, Inc. 信達生物製藥, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 28 April 2011
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transactions"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Product refers to TYVYT® (sintilimab injection), BYVASDA® (bevacizumab biosimilar), SULINNO® (adalimumab biosimilar) and HALPRYZA® (rituximab biosimilar)
"CRC"	colorectal cancer
"CSCO"	Chinese Society of Clinical Oncology
"CVM"	cardiovascular and metabolism
"Director(s)"	the director(s) of our Company
"Dr. Yu"	Dr. De-Chao Michael Yu, our Chief Executive Officer, Chairman and executive Director

Definitions

"EGFR"	epidermal growth factor receptor
"Eli Lilly" or "Lilly"	Eli Lilly and Company, a U.S. company, organized and existing under the laws of the State of Indiana on 17 January 1901, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285
"Employee Participants"	has the meaning ascribed to it in the Listing Rules
"ENDO"	Endocrine Society
"ESCC"	esophageal squamous cell carcinoma
"ESMO-IO"	European Society For Medical Oncology Immuno-Oncology
"FGFR"	fibroblast growth factor receptor
"FVTPL"	fair value through profit or loss
"GC"	gastric or gastroesophageal adenocarcinoma
"GCGR"	glucagon receptor
"GLP-1R"	glucagon-like peptide-1 receptor
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HbA1c"	hemoglobin A1c
"HCC"	hepatocellular carcinomas
"HeFH"	heterozygous familial hypercholesterolemia
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IASO Bio"	IASO Biotherapeutics
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

Definitions

"IGF-1R"	insulin-like growth factor-1 receptor
"Incyte"	Incyte Biosciences International Sàrl, a subsidiary of Incyte Corporation (the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: INCY))
"IL23p19"	interleukin 23 p19 subunit
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Innovent HK"	Innovent Biologics (HK) Limited, a company incorporated under the laws of Hong Kong on 17 May 2011 and one of the Company's principal subsidiaries
"Innovent Suzhou"	Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥(蘇州)有限公司), a company established under the laws of the PRC on 24 August 2011 and one of the Company's principal subsidiaries
"IPO"	initial public offering
"ISAC"	immune-stimulating antibody conjugate
"LAG3"	lymphocyte-activation gene 3
"Latest Practicable Date"	21 April 2023, being the latest practicable date to ascertain certain information set out in this annual report prior to its bulk printing
"LDL-C"	low-density lipoprotein cholesterol
"LG Chem"	LG Chem Life Sciences
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	31 October 2018, the date on which the Shares are listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

Definitions

"mCCA"	metastatic cholangiocarcinoma
"mCRC"	metastatic colorectal cancer
"MDS"	myelodysplastic syndrome
"MNCs"	multinational Corporations
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MTC"	medullary thyroid cancer
"mTNBC"	metastatic triple negative breast cancer
"nAMD"	neovascular age-related macular degeneration
"NDA"	new drug application
"NMPA"	China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Company
"non-FH"	non-familial hypercholesterolemia
"NRDL"	the National Reimbursement Drug List
"NSCLC"	non-small cell lung cancer
"nsqNSCLC"	non-squamous non-small cell lung cancer
"OC"	epithelial ovarian, fallopian tube, and primary peritoneal cancer
"ORR"	objective response rate
"PCSK9"	proprotein convertase subtilisin/kexin type 9 enzyme
"PD-1"	programmed cell death protein 1
"PD-L1"	PD-Lgand 1

"PFS"	progression-free survival
"PoC"	Proof-of-Concept
"Post-IPO ESOP"	the post-IPO share option scheme adopted by the Company on 12 June 2018
"Pre-IPO Plan"	the pre-IPO share incentive plan adopted by the Company on 10 May 2012 as amended from time to time,
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"RET"	rearranged drug transfection
"Restricted Shares"	restricted share(s), being a contingent right to receive Share(s) awarded under the RS Plan
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"ROSI/NTRK"	repressor of silencing 1 and neuro trophin receptor kinase
"Reporting Period"	the year ended 31 December 2022
"r/r FL"	recurrent or refractory follicular lymphoma
"r/r MM"	relapsed and/or refractory multiple myelonia
"Service Provider"	has the meaning ascribed to it in the Listing Rules
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGLT2"	sodium-glucose contransporter 2
"Share(s)"	ordinary share(s) in the share capital of our Company, currently with a par value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Share(s)
"sNDA"	supplemental new drug application
"sqNSCLC"	squamous non-small cell lung cancer

Definitions

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"T2DM"	type 2 diabetes
"TAO"	thyroid associated ophthalmopathy
"TC"	thyroid cancer
"TIGIT"	T-cell immunoreceptor with Ig and ITIM domain
"TKI"	tyrosine kinase inhibitor
"TPS"	Tumor Proportion Score
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. FDA" or "FDA"	The U.S. Food and Drug Administration
"UNION"	UNION Therapeutics A/S
"VEGF"	vascular endothelium growth factor
"XOI"	Xanthine oxidase inhibitor
"%"	per cent

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