Innovent
信达生物制药

年報 · 2021

ANNUAL REPORT

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)

Contents

Company Profile

Inspired by the spirit of "Start with Integrity, Succeed through Action", Innovent's mission is to develop, manufacture and commercialize high-quality biopharmaceutical products that are affordable to ordinary people. Established in 2011, Innovent is committed to developing, manufacturing and commercializing high-quality innovative medicines for the treatment of cancer, autoimmune, metabolic and other major diseases. On 31 October 2018, the Company was listed on the Main Board of the Stock Exchange with the stock code: 01801.HK.

Since our inception, Innovent has developed a fully integrated multi-functional platform which includes R&D, CMC (Chemistry, Manufacturing, and Controls), clinical development and commercialization capabilities. Leveraging the platform, the Company has built a robust pipeline of 32 valuable assets in the fields of cancer, metabolic, autoimmune disease and other major therapeutic areas, with 7 products approved for marketing in China – TYVYT® (sintilimab injection), BYVASDA® (bevacizumab biosimilar injection), SULINNO® (adalimumab biosimilar injection), HALPRYZA® (rituximab biosimilar injection), Pemazyre® (pemigatinib oral inhibitor) and olverembatinib (BCR-ABL TKI) and Cyramza® (ramucirumab), 1 asset under NMPA NDA review, 5 assets in Phase 3 or pivotal clinical trials, and an additional 19 molecules in clinical studies.

We have built an international team with advanced talent in high-end biological drug development and commercialization, including many global experts. The Company has also entered into strategic collaborations with Eli Lilly and Company, Adimab, Incyte, MD Anderson Cancer Center, Hanmi and other international partners. We strive to work with many collaborators to help advance China's biopharmaceutical industry, improve drug availability and enhance the quality of patients' lives.

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

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

Audit Committee

Ms. Joyce I-Yin Hsu *(Chairman)*
Mr. Shuyun Chen *(resigned on 25 February 2022)*
Dr. Kaixian Chen
Dr. Charles Leland Cooney
(appointed on 25 February 2022)

Remuneration Committee

Ms. Joyce I-Yin Hsu *(Chairman)*
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
Mr. Shuyun Chen *(resigned on 25 February 2022)*
Dr. Charles Leland Cooney

Joint Company Secretaries

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

Authorised Representatives

Mr. Ronald Hao Xi Ede
Ms. Lok Yee Chan

Auditor

Deloitte Touche Tohmatsu
Registered Public Interests Entity Auditors
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Hong Kong

Corporate Information

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Cayman Islands

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Suzhou Industrial Park
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33 Hysan Avenue
Causeway Bay
Hong Kong

Legal Advisors

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law
Han Kun Law Offices
33/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shimen Road (No. 1)
Shanghai 200041
PRC

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Principal Share Registrar

Maples Fund Services (Cayman) Limited
PO Box 1093
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Cricket Square
KY1-1102
Cayman Islands

Corporate Information

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

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China Construction Bank
Suzhou Industrial Park Subbranch
CSSD Building, No. 158 Wangdun Road
Suzhou Industrial Park
215028 China

Stock Code

1801

Company Website

www.innoventbio.com

Chairman's Statement

De-Chao Michael Yu

Chairman and CEO

Dear Shareholders,

Thank you for your continued support for Innovent.

2021 is the tenth year since our inception. In the past decade, we have transformed Innovent into a leading biopharmaceutical company in China with fully-integrated platforms, robust pipeline, strong execution capability and a healthy financial position.

2021 was also a productive and successful year for Innovent despite some challenges and the moving macro and capital environment. We still have been making a series of significant accomplishments with respect to R&D, CMC, commercial, global innovation and business collaboration.

We have kept advancing our valuable assets rapidly. As of today, we have built up a highly competitive pipeline consisting of 32 clinical stage assets, including 7 assets approved, 1 asset under the NMPA's review, 5 assets under Phase 3 or pivotal studies and 19 assets in Phase 1 or 2 clinical stage.

In 2021, we expanded our commercial portfolio from four to six products and achieved product revenue of over RMB4.0 billion with a year-to-year increase of 69%. We launched two newly approved small molecule medicines, which are a novel FGFR inhibitor PEMAZYRE® (pemigatinib) for cholangiocarcinoma and a third generation BCR/ABL inhibitor NAILIKE® (Olverembatinib) for chronic myeloid leukemia. The launch and ramp-up of new products has significantly contributed to the continued strong product revenue growth. Our leading PD-1 brand TYVYT® (sintilimab injection) has maintained eyecatching growth in both revenue and volume, with successful approval and inclusion in NRDL for three additional first-line indications in lung cancer and liver cancer. By now, TYVYT® (sintilimab injection) is the only PD-1 inhibitor with positive Phase 3 data in the first-line treatment for five major types of cancer including lung, liver, gastric and esophagus cancers, etc.

Chairman's Statement

We have strategically expanded our commercial network with a professional sales and marketing team of nearly 3,000 people covering over 5,100 hospitals and 1,100 Direct-to-Patient (DTP) pharmacies across the country. The fully-functional commercial ecosystem, together with anticipated intensive new product launch and ramp-up, will board patients with unmet needs to reach better life.

In March 2022, we were delighted to announce the fifth strategic collaboration with Eli Lilly to expand the partnership for multiple oncology assets. We are pleased that our platform and capabilities won further recognition from our partner and added the seventh newly approved product Cyramza® (ramucirumab) and a ready-to-launch product Retevmo® (selpercatinib) to our pipeline.

On top of a robust late stage pipeline, 2021 also saw positive PoC data readout for seven additional assets, of which we anticipate to submit NDA for at least three assets in 2022 including IBI-326 (BCMA-CAR-T), IBI-306 (PCSK-9) and IBI-310 (CTLA-4). We also plan to keep advancing or moving at least four assets into pivotal or Phase 3 trials including IBI-188 (CD47), IBI-344 (ROS1/NTRK), IBI-362 (GLP1/GCGR) and IBI-112 (IL-23p19).

As we keep advancing the robust late stage pipeline, in the next two years we anticipate having at least 10 commercial products in the market. By 2025, we plan to launch at least 15 products for commercialization. Our validated commercial platform and strong capability will ensure us to fully realize the value of our robust pipeline.

More importantly, on top of the solid foundation of late stage pipeline, fully integrated platform and strong execution capability, we have been more dedicated than ever to our long term global innovation strategy. We attach importance to the lessons we learned through the Biologics License Application (BLA) of sintilimab. These lessons will enable our capability to bring more options for worldwide patients by establishing a global presence. Our global ambition and strategy are clearer than ever.

Supported by our deep understanding in immunology and cancer biology and the unique strength in antibody protein engineering, we have built up a comprehensive early stage pipeline of global potential with 19 assets in Phase 1 or 2 clinical stage, among which the cluster of CD47, LAG-3, TIGIT, VEGF-based bispecific antibody etc. are undergoing PoC stages and anticipated to

Chairman's Statement

obtain data readout since this year, and more global potential assets will enter into clinical studies. With the establishment of global product development platform and system and more novel molecules discovered by Innovent Academy, we are on the fast track to expand the global development and registration of the emerging novel assets.

With the aim to focusing on world-class frontier technologies and new modalities with global potential, we enhanced our drug discovery engine the Innovent Academy by more than double the number of scientists, establishing our U.S. Lab in Maryland, and establishing the SAB comprising three world-renowned scientists. With more talents joining in 2021, Innovent Academy has established over 80 preclinical projects and successfully delivered seven molecules into the IND enabling stage, all of which have the global potential and proprietary. We will further upgrade our technology platform and build deeper understanding on MoA and target selection, to achieve our goal of delivering multiple high quality candidates to clinical stage each year for potential global development.

While we invested and further strengthened our in-house innovation capabilities, we have also continued to leverage our platform capabilities to collaborate with partners to empower our internal R&D and globalization. The strategic collaborations with global pharmaceutical companies and regional biotech companies including Eli Lilly, Anheart, Genfleet, Ascentage, UNION, etc., enable us to enhance our franchises in oncology as well as complementing our differentiated non-oncology therapeutic areas in metabolism, autoimmune and ophthalmology by adding in novel molecules with synergetic value.

Last year we successfully expanded the production capacity from 24,000L to 60,000L in bioreactors with GMP certificate. This has enabled us to support our pipeline expansion and strengthen our market competitiveness and cost advantages. Meanwhile, we have formed the CMC Advisory Board (CAB), comprising of four world-class experts in the field to provide professional advice.

We are also in a healthy financial position with about US1.4 billion cash on hand that will put us in an advantageous position among the industry, in the context of volatile macro environment and fluctuating capital market, and allows us to focus on the long-term strategy and development.

Thank you again for your support for Innovent. Through ten years of efforts and dedication, we have become one of the few leading biopharmaceutical companies in China. Looking ahead, in the first year of our next decade, our capability and capacity to grow into a global innovative biopharmaceutical company are stronger than ever. Moving forward, we will keep investing in the R&D and globalization footprint and expand our R&D and business operations from China to global markets, to deliver sustainable value for our patients, employees, Shareholders and the society.

Financial Highlights

Non-IFRS Measures[1]:

- **Total revenue** was RMB4,260.9 million for the year ended 31 December 2021, representing an increase of 74.1% from RMB2,446.7 million for the year ended 31 December 2020. Product revenue increased by 69.0% to RMB4,001.1 million for the year ended 31 December 2021, compared to RMB2,367.5 million in the prior year. The leading product TYVYT® (sintilimab injection) has maintained strong growth in both sales revenue and volume as the leading brand in the PD-1 market. Meanwhile, the fast ramp-up of other products and expansion of commercial portfolio have significantly contributed to the strong growth of product revenue, accounting for about 30% of total product revenue for the year ended 31 December 2021.

- **Gross profit margin** of product sales was 88.6% for the year ended 31 December 2021, representing an increase of 3.7% as compared with 84.9% for the year ended 31 December 2020, primarily due to consistent volume growth and manufacturing efficiency improvement as the six 3,000L stainless steel bioreactor production lines were put in use since the fourth quarter of 2020. The large scale stainless steel bioreactor production lines provided market competitive cost advantage of TYVYT® (sintilimab injection) and other antibody drugs.

- **R&D expenses** increased by RMB398.2 million from RMB1,717.8 million for the year ended 31 December 2020 to RMB2,116.0 million for the year ended 31 December 2021. The steadily growing R&D expenses were mainly spent on clinical trials of late-stage and prioritized assets from our robust pipeline globally to further expand our existing product line's indications as well as develop new products in our pipeline, including pre-clinical product developments.

- **Selling and marketing expenses** were RMB2,541.3 million, or 59.6% of total revenue, or 63.5% of product revenue for the year ended 31 December 2021, as compared with RMB1,258.0 million, or 51.4% of total revenue, or 53.1% of product revenue for the year ended 31 December 2020. Such planned increase in spending was primarily due to the broader commercialization activities with respect to more approved products, strategic sales and marketing team expansion during the year from 1,284 members as at 31 December 2020 to 2,768 members as at 31 December 2021 in order to prepare for the rapidly expanding commercial portfolio and broader coverage, as well as a much lower-than-normal and not usual commercialization activities for the year ended 31 December 2020 due to the outbreak of COVID-19.

- **Loss for the year** was RMB2,242.6 million for the year ended 31 December 2021, representing an increase of RMB249.6 million from RMB1,993.0 million for the year ended 31 December 2020, primarily attributable to continuous investment in R&D.

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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 and non-recurring events, such as (a) share-based compensation expenses; and (b) license fee income recognized at a point in time. 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

IFRS Measures:

- **Loss for the year** was RMB3,138.1 million for the year ended 31 December 2021, representing an increase of 214.3% from RMB998.4 million for the year ended 31 December 2020. The increase was primarily due to (i) continuous investment in R&D; (ii) increased share-based compensation expenses; and (iii) license fee income recognized at a point in time decreased by RMB1,388.2 million from RMB1,397.1 million for the year ended 31 December 2020 to RMB8.9 million for the year ended 31 December 2021.

- **Net cash from financing activities** for the year ended 31 December 2021 was RMB5,003.4 million, mainly attributable to proceeds generated from our successful placement in January 2021. As of 31 December 2021, the Company had approximately US$1,415.1 million cash on hand and short term financial assets.

Business Highlights

During the year ended 31 December 2021, the Company has continued to achieve significant milestones with consistently strong execution and clear growth strategy in aspects of R&D, product development, CMC, commercialization and business collaboration as follows:

We generated product revenue of RMB4,001.1 million for the year ended 31 December 2021, an increase of 69.0% compared to RMB2,367.5 million in the same period of prior year, with the commercial portfolio expanded to six approved products, and strong year-over-year growth for both TVYTY® (sintilimab injection) and other products. We further expanded the commercial team and strengthened the Company's franchise in China pharmaceutical market.

- During the year ended 31 December 2021, we have expanded the commercial portfolio to six products, with two more approved to market, including NAILIKE® (Olverembatinib) approved by the NMPA for the treatment of TKI-resistant chronic phase chronic myeloid leukemia (CML-CP) or accelerated-phase CML (CML-AP) harboring the T315I mutation, and Pemazyre® (pemigatinib) approved in Taiwan market for the treatment of adults with previously treated, unresectable locally advanced or metastatic cholangiocarcinoma with a FGFR2 fusion or rearrangement.

- During the year ended 31 December 2021, TYVYT® (sintilimab injection) was approved for three additional indications including 1L non-squamous NSCLC, 1L squamous NSCLC and 1L HCC. The three new indications were successfully included in the updated NRDL, effective from 1 January 2022, on top of TYVYT® (sintilimab injection)'s first reimbursed indication of r/r cHL.

- During the year ended 31 December 2021, three additional Phase 3 clinical studies for TYVYT® (sintilimab injection) have met the primary endpoint, including the ORIENT-15 for the first-line treatment of G/GEJ, the ORIENT-16 for the 1L treatment of ESCC, and the ORIENT-31 for EGFR mutated non-squamous NSCLC who progressed after EGFR-TKI therapy. The NMPA has accepted three sNDA of TYVYT® (sintilimab injection) for the corresponding indications. The clinical achievements during the Reporting Period have made TYVYT® (sintilimab injection) become the only PD-1 inhibitor with positive Phase 3 data in the first-line treatment of five major types of cancer.

During the year ended 31 December 2021, we continued to make progress in our robust pipeline which consist of 29 valuable assets, including six commercialized products, and 23 assets in various clinical stages:

- **We kept advancing the development progress for multiple assets in registration or pivotal clinical trials which supports at least three potential NDA submissions in the year of 2022, including:**

  – IBI-306, PCSK9 antibody, for the treatment of non-FH and HeFH, which has met primary endpoint in Phase 3 studies with potential NDA submission in the first half of 2022;

  – IBI-326, fully-human BCMA-targeted CAR-T therapy, for the treatment of r/r MM, with potential NDA submission in the first half of 2022; and

  – IBI-310, anti-CTLA-4, in combination therapy with TYVYT® (sintilimab injection) for 1L HCC and 2L treatment of CC, with potential NDA submission in the second half of 2022 for 2L CC.

Business Highlights

- **We achieved positive PoC data readout for seven novel assets to potentially move forward into the late clinical stage and even NDA submissions in the year of 2022, all with promising market potentials in global and/or regional markets, including:**

  – IBI-326, BCMA CAR-T for the treatment of r/r MM;

  – IBI-310, CTLA-4 in combination with TYVYT® (sintilimab injection) for the treatment of 2L CC and 1L HCC;

  – IBI-188, fully human anti-CD47 monoclonal antibody, in combination with azacitidine for the treatment of 1L higher risk MDS;

  – IBI-344, taletrectinib, a next-generation TKI designed to effectively target ROS1/NTRK for the treatment of ROS1 fusion positive NSCLC;

  – IBI-362, dual GLP-1 and GCGR agonist, for the treatment of Type 2 diabetes and obesity;

  – IBI-302, anti-VEGF/C bispecific fusion protein, for the treatment of nAMD; and

  – IBI-112, long-acting anti-interleukin-23p19 subunit (IL23p19) monoclonal antibody, for the treatment of psoriasis.

We have fortified our powerful discovery engine, the Innovent Academy, with top talents in the industry and established an advisory board with world-renowned scientists that constantly enhances innovation with novel modalities and frontier technology:

- We established our United States Lab and significantly expanded our global product development team, which is an important innovation hub bridging scientific discovery with product development and regulatory filing.

- We established the SAB comprising three world-renowned scientists, Professor Dr. Lewis L. Lanier, Professor Dr. Lawrence Fong, and Professor Carlos Garcia-Echeverria, who will provide scientific advices to our research programs and clinical development of novel pipeline with their top academic background and industry experience.

- Innovent Academy have established over 80 research programs focusing on seven taskforces, all of which have been progressing at a well-planned and high-efficient pace.

- Innovent Academy has successfully delivered seven molecules into IND enabling stage, all of which have the global potential and proprietary under the MoA spanning from cancer biology and immunology, to ophthalmology area.

Business Highlights

We strived to be the best partner of choice for global and regional biopharmaceutical companies and we are pleased to establish multiple meaningful collaborations in expanding the breadth of our pipeline covering various disease areas:

- Co-development and co-commercialization to unlock the great potential of best-in-class assets and complementing product portfolio, including:
  - IBI-344, taletrectinib – a next-generation TKI designed to effectively target ROS1 and NTRK with AnHeart.
  - IBI-348, olverembatinib – a novel third-generation BCR-ABL TKI with Ascentage.
  - IBI-351, GFH925 – a novel, orally active, potent KRAS G12C inhibitor with GenFleet.
  - IBI-353, orismilast – a novel, orally active, potent phosphodiesterase 4 ("**PDE4**") inhibitor for broad target indications with UNION.
  - BYVASDA® (bevacizumab biosimilar) - out-licensed to Etana for potential product launch in the Indonesia market, with NDA filed in 2021.
- Collaboration on technology-platform development to further expand current pipeline potential benefit to satisfy unmet medical needs, including:
  - The development of the proprietary ADC technologies with Synaffix; and
  - The development of three new anti-cancer therapeutic ISAC candidates with Bolt.

We have upgraded our manufacturing capabilities and efficiency to commensurate the steady expansion in our business and strengthen our market competitiveness and cost advantages:

- In the second half of 2021, we successfully expanded our production capacity from 24,000L to 60,000L. We completed the construction of a new commercial facility in Suzhou site (the "**M2 site**") that is designed to house additional twelve 3,000L production capacities in stainless steel bioreactors.

We have kept our Company in a healthy financial position that enables us to strategically focus on the Company's long-term growth strategies:

- We successfully raised approximately HK$4.7 billion through a placing of new shares in January 2021. As of 31 December 2021, the Company had approximately US$1,415.1 million cash on hand and short term financial assets. The healthy financial position enables us to attentively focus on our key strategies of improving drug R&D capability, expanding our global R&D team, pursing global development of novel molecules, and at the same time, expanding our commercial portfolio and enhancing our business performance.
- In December 2021, our stock was included in the Hang Seng China Enterprises Index ("**HSCEI**"), one of the most influential indexes in the Hong Kong and global stock markets. We are the first and only biopharmaceutical company listed on the Stock Exchange under Chapter 18A of Listing Rules to be included in the HSCEI.

Business Highlights

After the end of the Reporting Period and up to the latest practicable date, the Company has continued to make significant progress in our drug pipeline and business operations, including the following major milestones and achievements:

- In January 2022, the Hong Kong Department of Health approved the NDA of Pemazyre® 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 systematic therapy.

- In January 2022, we entered into an agreement pursuant to which Sana Biotechnology, Inc. (NASDAQ ticker symbol: SANA) shall obtain 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 February 2022, IBI-326 received the Orphan Drug Designation by the U.S. FDA. IBI-326 will be eligible for certain development incentives, including the U.S. FDA support for clinical studies, a waiver or reduction of registration application fee, and a seven-year U.S. market exclusivity granted upon product approval.

- In February 2022, IBI-306 met the primary endpoint of low-density lipoprotein cholesterol (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.

- In March 2022, the FDA has issued a complete response letter for the Biologics License Application for sintilimab in combination with pemetrexed and platinum chemotherapy for the first-line treatment of people with non-squamous NSCLC. Sintilimab is being developed by the Company and Eli Lilly. The letter indicates that the review cycle is complete but the FDA is unable to approve the application in its current form, which is consistent with the outcome of the Oncologic Drugs Advisory Committee Meeting in February 2022.

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

- In April 2022, the NMPA has approved the NDA of Pemazyre® for the treatment of adults with locally advanced or metastatic cholangiocarcinoma with a fibroblast growth factor receptor 2 (FGFR2) fusion or rearrangement as confirmed by a validated diagnostic test that have progressed after at least one prior line of systemic therapy.

- In April 2022, the NMPA has granted Breakthrough Therapy Designation ("**BTD**") for IBI310 in combination with sintilimab for the treatment of patients with recurrent or metastatic cervical cancer.

- In the first quarter of 2022, we announced three first-patient-dosed for novel assets with global rights, including:

  – IBI-325, proprietary CD73 antibody, in patients with advanced solid tumor;

  – IBI-345, first-in-class universal "modular" Claudin 18.2-targeting CAR-T cell therapy for the treatment of advanced Claudin 18.2-positive solid tumors; and

  – IBI-389, proprietary bispecific antibody targeting Claudin 18.2/CD3 in patients with advanced malignancies.

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.

Management Discussion and Analysis

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 R&D, 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, bispecific antibodies, fusion proteins, cell therapy and small molecules), spanning multiple major therapeutic areas including oncology, metabolic, immunology and ophthalmology diseases, and with promising tremendous clinical and commercial potential as monotherapies or combination therapies to address unmet medical needs.

2021 Review: Another year of strong execution to build solid foundation and expand robust pipeline

Bearing the ambition of growing into a global premier biopharmaceutical company, 2021 continued to be a year of strong execution to expand our robust innovative pipeline. We have continuously made significant achievements in all aspects of commercial growth, pipeline development, manufacturing and business collaboration, with further detailed discussions in the "Business Highlights" section.

- **We have continued to expand our commercial portfolio and maintain strong revenue growth performance.** During the year of 2021, we have expanded commercial portfolio to six products with the approval of two additional novel drugs, and achieved RMB4,001.1 million product revenue, an increase of 69.0% compared to RMB2,367.5 million in the prior year. TYVYT® (sintilimab injection), as a leading PD-(L)1 brand in the market, has maintained fast growth in both revenue and volume in 2021. Meanwhile, higher revenue contribution obtained from other newly launched products further validated our commercial platform and capability.

- **We have built a robust pipeline with 29 clinical stage assets, kept moving our late stage innovative assets ahead, and achieved positive PoC data for seven promising assets.** We have advanced the assets in pivotal or registrational trials including IBI-306 (PCSK-9), IBI-310 (CTLA-4), IBI-326 (BCMA CAR-T), IBI-344 (ROS1/NTRK) etc. that enables us to keep enriching commercial portfolio covering core disease areas, and will provide near-term to mid-term sustainable growth to the Company.

  In addition to the fast progress of the late stage assets, in 2021, we've achieved positive PoC data readouts for the efficacy and safety of seven promising assets that enable us to keep moving more candidates into late stage studies, including IBI-188 (CD47), IBI-362 (GLP-1/GCGR), IBI-326 (BCMA CAR-T), IBI-310 (CTLA-4), IBI-344 (ROS1/NTRK), IBI-302 (VEGF/C), and IBI-122 (IL-23p19).

- **We have rolled out development for the global and/or high potential early stage assets in 2021.** We have 18 assets in early Phase 1/2 stage. In 2021, we have prioritized and accelerated the development of over 10 early clinical stage assets with global rights and global competitiveness potentials. We entered into a series of Phase 1 to Phase 1b/Phase 2 PoC studies to explore the potential of these novel assets represented by the clusters of CD47, LAG-3, TIGIT, and VEGF etc. We have obtained positive PoC data for IBI-188 (CD47) in 1L MDS and for IBI-302 (VEGF/C) in nAMD first, and anticipate to have more data readout in 2022. The rich early stage pipeline, together with over 80 projects at preclinical and drug discovery stage, can provide a robust and well-diversified pipeline for accelerated and sustainable growth of the Company in mid to long term in both China and the broader global markets.

Management Discussion and Analysis

- **We have further enhanced our R&D structure and platform to facilitate the global R&D of our pipeline.** In the past year, we have more than doubled our scientist team under the technology platform. The team has increased to about 300 scientists under our drug discovery engine, Innovent Academy. Further, we have successfully established our U.S. Lab in Maryland, and our SAB comprising three world-renowned scientists. During the year, we have built a fully-functional global development team and established an effective global development and registration platform and process to carry out the global R&D of our novel pipeline.

- **We have entered into a series of collaborations with both global and regional pharmaceutical companies that further empower our technology platform and enrich our pipeline with synergy in clinic and commercialization.** In 2021, we have established a series of business collaborations, including with AnHeart, Ascentage, GenFleet and UNIION in the development and/or commercialization of multiple novel and differentiated assets, which further complement our product portfolio in oncology and autoimmune disease areas with significant synergy. We also collaborated on technology-platform with leading biotech companies in certain technology areas by leveraging the advantages of both parties to empower the development of advanced technology, including collaboration with Synaffix in ADC, and collaboration with BOLT in ADC ISAC.

- **We have maintained the Company in a healthy financial position.** As of December 2021, the Company had approximately US$1,415.1 million cash on hand and short term financial assets. The healthy financial position and consistently efficient capital allocation will enable us to focus on the long-term growth strategy despite near-term market fluctuations.

2021 is the last year of the first decade of our Company's history. Through ten years of efforts and dedication, we have grown to be one of the few leading biopharmaceutical company in China with an established platform foundation, sustained strong execution, and favorable financial position. Going forward, we are in an even more advantageous position to firmly focus on investing in the Company's long-term growth strategy, despite the temporarily fluctuating macro and capital market environment.

2022 Outlook: Strategically focus on the growth strategy of global innovation

Heading into the first year of the second decade of our Company's history, we anticipate that 2022 will continue to be a harvest year from the commercialized and late-stage pipeline, and the transformative year to further expand our global R&D footprint. We will firmly implement our corporate strategy in the following areas:

We will continue to expand our commercial portfolio supported by our proven commercial capability and abundant late stage pipeline. As a leading biopharmaceutical company in China, we have built up a nationwide commercial team with nearly three thousand people, whose capability is validated by the successful commercialization of TYVYT® (sintilimab injection), and also the fast ramp up of other newly launched products. With a robust late stage pipeline of over 13 products and a proven commercial capability, we have entered into the harvest period for continuous new product launch and ramp up, which will further strengthen our leadership among the emerging Chinese biopharmaceutical companies.

- As we have announced in March 2022, the expanded strategic partnership with Lilly has added one newly approved oncology drug and one NDA stage oncology asset to our commercial portfolio. We anticipate that in 2022, our commercial portfolio will expand from six to eight products, and maintain meaningful product revenue growth during the year.

- We have been following the pivotal studies for our late stage assets, among which, we anticipate to file NDA for at least three new assets, including IBI-310 (CTLA-4), IBI-306 (PCSK-9) and IBI-326 (BCMA CAR-T) during 2022.

Management Discussion and Analysis

- The positive PoC data achieved in the past year will enable us to proceed to additional pivotal or registrational studies with more promising assets. In 2022, we plan to proceed with IBI-188 (CD47) for Phase 3 study for 1L MDS. We will proceed with IBI-362 (GLP1/GCGR) for Phase 3 studies for both indications of obesity and diabetics. We will also proceed with IBI-112 (IL-23 p19) for Phase 3 study for psoriasis.

- Besides, under a well-planned and developed long term growth strategy, we have built up a pipeline consisting of 19 assets in Phase 1/2 stages and over 80 projects in preclinical stage. We are confident that we are able to continuously make significant progress with novel assets for late clinical stage, bring more products to benefit patients across the world, and sustainably grow our business.

We are accelerating the global R&D of our novel pipeline as a key strategy. Supported by the transformative enhancement of the drug discovery engine, Innovent Academy, the clear global R&D strategy for novel molecules, and the established capable global product development team, we are rapidly expanding our business and R&D operation from the China market to global markets.

- We own over a dozen of assets with global rights in Phase 1/2 clinical stage, including eight molecules with IND approval by the FDA. We also anticipate to have more data readout in 2022 for multiple global assets which are currently at the PoC stage, including IBI-188 (CD47) with preliminary data achieved, IBI-110 (LAG-3), and IBI-322 (CD47/PD-L1) etc. Besides, we will continue to advance more novel assets such as IBI-351 (KRAS G12C), IBI-939 (TIGIT), IBI-323 (LAG-3/PD-L1) which are currently in Phase 1 studies.

- Besides, we plan to proceed multiple more novel candidates into the clinic this year with more advanced modalities and novel MoAs spanning from monoclonal antibody and bispecific antibody to ADC, T cell engager, and cell therapy, such as first-in-class IL-2 based bispecific antibody IBI-363 (PD-1/IL-2), ophthalmology bispecific antibodies IBI-333 (VEGF-A/VEGF-C) and IBI-324 (VEGF/ANG-2), and IBI-346 (CLDN18.2 CAR-T) with first-in-class modular cell therapy technology.

- In the past year, we have built a fully-functional global development team and established an effective global development platform and process. The rapidly expanding overseas team, which cooperates seamlessly with the product development team in China of 1000+ people, is capable of carrying out global development of our novel assets that will meet the requirements of various regulatory agencies in major markets.

We are strategically focused on delivering global potential molecules through the leading drug discovery powerhouse, Innovent Academy. The team expansion and infrastructure improvement of Innovent Academy have significantly enhanced our state-of-art antibody engineering platform, refined our understanding in immunology science and cancer biology, which bring Innovent Academy from a China leading platform to a powerhouse with true global competitiveness.

- With the goal to launch potential global blockbuster drugs, Innovent Academy has established over 80 research programs focusing on seven major taskforces, and keeps delivering certain amount of novel molecules into IND enabling stage each year. Among these novel molecules, it has successfully delivered seven new molecules into CMC stage in 2021, which are anticipated to enter first-in-human clinical study starting from 2022, such as first-in-class IL-2 based bispecific antibodies, IBI-363 (PD-1/IL-2), IBI-395 (PD-1/IL-21/IL-2) and novel ophthalmology bispecific antibodies IBI-333 (VEGF-A/VEGF-C) and IBI-324 (VEGF/ANG-2).

Management Discussion and Analysis

We continue to leverage our business development capability to empower internal R&D and fuel globalization. Innovent has a proven track record of establishing 25 partnerships with global pharmaceutical companies and biotech companies since inception. We will continue to look for partnerships and collaborations from platform technology to clinical development, and product commercialization in any potential deals in the form of license in/license out, equity investment and merger and acquisitions. We believe that collaborations could further empower our drug discovery, and add significant synergy and value to our clinical and commercial pipeline.

- In March 2021, we expanded our long standing partnership with Lilly to commercialize one newly approved product and another ready to launch asset in China, and obtain right of first negotiation for one late stage asset. The further recognition of the world-class pharmaceutical partner further validated the value and capability of our commercial platform. The collaborations also further enhance the Company's franchise in major cancer indications including NSCLC, GC and HCC, as well as potentially hematological malignancies.

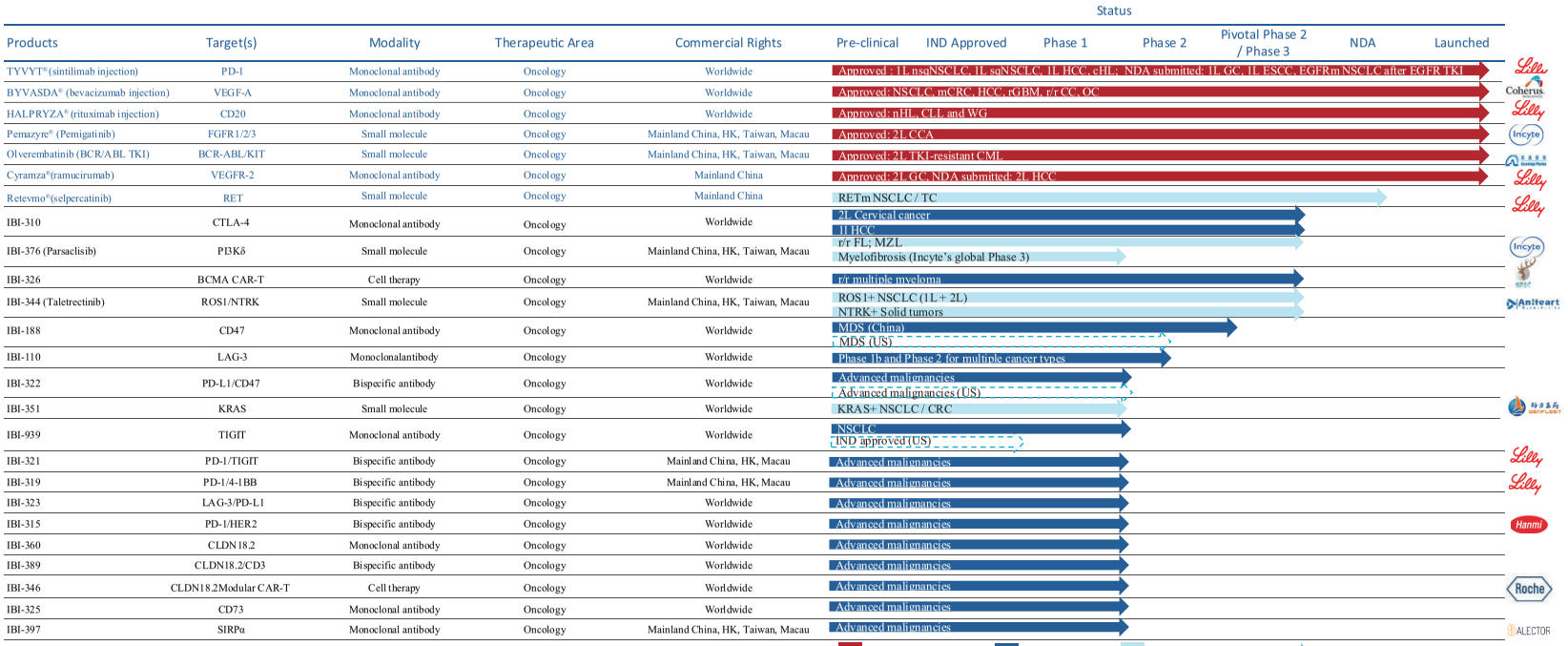
- In February 2022, we also successfully moved one novel cell therapy asset into the first-in-human clinical study, that is discovered based on the first-in-class technology platform collaborated by the Company and Roche Group ("**Roche**"). This represents an excellent example of unveiling extra value of novel technologies through leveraging the technology advantages of two parties and proves the Company's capability to cooperate with world-leading pharmaceutical companies on technology basis.

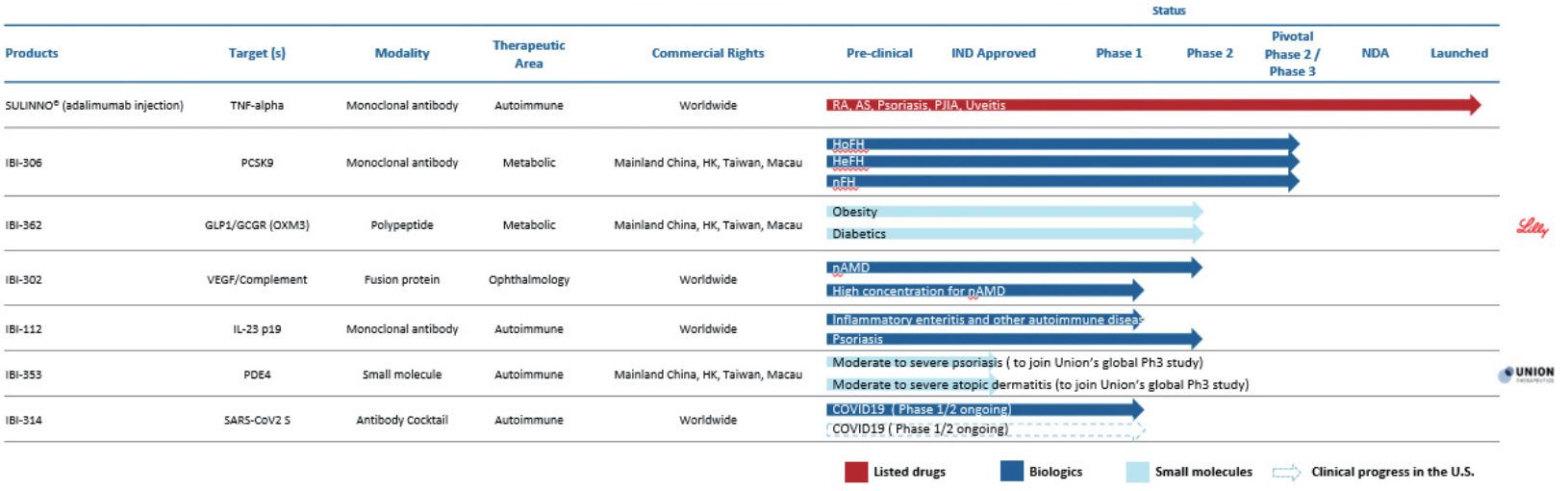
2022 is the first year of the second decade of the Company's development. As one of the few leading biopharmaceutical company with an established platform foundation, sustained strong execution, and favorable financial position, we will strategically focus on improving R&D capability, expanding global R&D team, pursing global development of novel molecules, and at the same time, expanding our commercial portfolio and enhancing business performance. We are fully committed and determined to develop the Company into a global biopharmaceutical company, and to deliver sustainable value to our patients, employees, shareholders and the society.

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 29 valuable assets during the year ended 31 December 2021, and successfully expanded to 32 assets by the date of the announcement. The Company's pipeline assets cover a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, bispecific antibodies, fusion proteins, CAR-T and small molecules), span multiple major therapeutic areas including oncology, metabolic, immunology 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.





Management Discussion and Analysis

Business Review

Our Commercial Stage Products

Commercial Stage Products Highlights during the Reporting Period and Post-Reporting Period (Expected)

- During the Reporting Period, we have successfully expanded our commercial portfolio into six products spanning over multiple therapeutic areas with strong synergies to provide integrated patient solutions.

- During the Reporting Period, we have increased product revenue by 69.0% to RMB4,001.1 million for the year ended 31 December 2021, compared to RMB2,367.5 million in the same period last year, mainly driven by the solid growth of our leading product TYVYT® (sintilimab injection) coupled with continued expansion of commercial portfolio, and ramp up of new products.

- We have established a well-structured commercial team with over 2,700 professional and experienced marketing and sales people, dedicated to work on the market access and academic marketing promotion of the product matrix. Commercial channel coverage has expanded to about 5,100 hospitals and 1,100 Direct-To-Patient pharmacies across more than 320 cities as of 31 December 2021.

- In March 2022, we established 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 2022, we anticipate to expand our commercial portfolio into eight products. We remain confident to drive a robust product revenue growth given well-positioned commercial presence and an agile and efficient team of marketing and sales people. We are committed to delivering more innovative medicines for more complex patient populations.

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; was accepted into the National Major New Drugs Innovation and Development Program; and approved and included in the updated NRDL for four indications of major cancer types.*

During the Reporting Period, TYVYT® (sintilimab injection), as a leading brand in China PD-(L)1 market has maintained strong growth momentum in terms of both sales revenue and sales volume. The encouraging performance of TYVYT® (sintilimab injection) was attributable to the competitive commercial strategy, including the comprehensive and competitive marketing strategy supported by the approval of additional indications, broader network coverage in tiered cities, and expanding sales and promotion team.

- During the Reporting Period, TYVYT® (sintilimab injection) was approved for three additional indications including 1L non-squamous NSCLC, 1L squamous NSCLC and 1L HCC. The three new indications were successfully included in the updated NRDL, effective from January 1, 2022, on top of TYVYT® (sintilimab injection)'s first reimbursed indication of cHL. The approval and reimbursement could further enhance the accessibility of the Company's high quality PD-1 drug and alleviate financial burden for Chinese patients and their families.

Management Discussion and Analysis

- During the Reporting Period, three additional Phase 3 clinical studies of TYVYT® (sintilimab injection) met primary endpoints, including ORIENT-15 for 1L ESCC, ORIENT-16 for 1L G/GEJ and ORIENT-31 for EGFR mutated non squamous NSCLC after EGFR-TKI therapy. The interim results were presented in the form of online posters or abstracts at the European Society for Medical Oncology ("**ESMO**") Annual Congress and ESMO Virtual Plenary, respectively. The NMPA accepted the corresponding sNDAs for TYVYT® (sintilimab injection) in China and the regulatory review is ongoing with expected regulatory actions in the year of 2022.

- The clinical achievements during the Reporting Period have made TYVYT® (sintilimab injection) become the only PD-1 inhibitor with positive Phase 3 data in the first-line treatment of five major types of cancer, i.e., non-squamous NSCLC, squamous NSCLC, HCC, ESCC and GC.

- During the Reporting Period, three collaboration with strategic partners were established to further explore the potential of TYVYT® (sintilimab injection) as an immunotherapy backbone, including:

  – Entered into a collaboration agreement with Laekna to conduct clinical studies assessing the combination therapy of sintilimab and Laekna's pan-AKT kinase inhibitor afuresertib in patients with multiple types of solid tumors that have been refractory – or failed to respond – to treatment with PD-1/PD-L1 inhibitors.

  – Entered into a collaboration agreement with NeoCura to conduct a clinical study assessing the combination therapy of sintilimab and NeoCura's individualized neoantigen vaccine NEO_PLIN2101 in patients with multiple types of solid tumors to improve objective response rate of PD-1/PD-L1 inhibitors.

  – Entered into an exclusive license agreement for the development and commercialization agreement – with GenFleet to explore potentials in clinical studies for both monotherapy and combination therapy of GenFleet's KRAS G12C candidate, GFH925 (Innovent R&D code: IBI-351) and sintilimab in patients with lung cancer and other solid tumors with KRAS G12C mutation.

- Since 1 January 2022, the updated NRDL became effective, and TYVYT® (sintilimab injection) is the only PD-1 product in China that have four major reimbursed indications covering the largest cancer patient populations.

- In 2022, three sNDA of TYVYT® (sintilimab injection) for 1L ESCC, 1L GC and EGFR mutated non-squamous NSCLC after EGFR-TKI treatment are expected to receive regulatory actions from the NMPA.

- In 2022, we will continue to actively carrying out clinical development programs for TYVYT® (sintilimab injection) in multiple clinical studies in combination with other therapies such as CTLA-4, LAG-3, and other innovative molecules.

Management Discussion and Analysis

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

Approved in China for multiple indications including advanced NSCLC, metastatic CRC, adult recurrent glioblastoma, advanced or unresectable HCC, recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer, and persistent, recurrent, or metastatic cervical cancer.

- In January 2021, we entered into an agreement with Etana to out-license BYVASDA® (bevacizumab biosimilar)'s development and commercialization rights in Indonesia to Etana.
- In June 2021, the NMPA approved the fourth indication for BYVASDA® (bevacizumab injection) in combination with TYVYT® (sintilimab injection) as first-line therapy in HCC.
- In 2021, Etana filed the NDA of BYVASDA® (bevacizumab injection) in Indonesia and the NDA approval is anticipated in 2022.
- In March 2022, the NMPA approved the fifth and sixth indication for BYVASDA® (bevacizumab injection) for recurrent epithelial ovarian, fallopian tube, or primary peritoneal cancer, and persistent, recurrent, or metastatic cervical cancer.

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

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

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

Approved in China for treatment of autoimmune diseases including rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis and plaque psoriasis.

***PEMAZYRE® (pemigatinib)**: a selective FGFR inhibitor co-developed with Incyte;*

Approved in Taiwan market and Hong Kong market for the treatment of adults with previously treated, unresectable locally advanced or mCCA with a FGFR2 fusion or rearrangement.

- In June 2021, Pemazyre® (pemigatinib) was approved in Taiwan market for the treatment of adults with previously treated, unresectable locally advanced or metastatic cholangiocarcinoma with a FGFR2 fusion or rearrangement. This is the Company's first approved small molecule drug and is also the fifth approved product in our commercial portfolio.
- In July 2021, the NMPA has accepted the NDA for pemigatinib 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 has approved the NDA of Pemazyre® (pemigatinib) for the treatment of adults with previously treated, unresectable locally advanced or metastatic cholangiocarcinoma with a FGFR2 fusion or rearrangement.

Management Discussion and Analysis

- In April 2022, the NMPA has approved the NDA of 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.

- At an upcoming medical conference in 2022, we plan to publish updated data from a pivotal Phase 2 study of pemigatinib in mCCA, including overall survival and progression free survival data.

NAILIKE® (Olverembatinib)*: a novel BCR-ABL TKI co-developed and co-commercialized with Ascentage; accepted into the National Major New Drugs Innovation and Development Program;*

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

- In July 2021, we entered into a multifaceted collaboration with Ascentage, including the joint commercialization of olverembatinib in China.

- In November 2021, the NMPA has approved olverembatinib (BCR-ABL TKI) for the treatment of adult patients with TKI-resistant chronic phase chronic myeloid leukemia (CML-CP) or accelerated-phase CML (CML-AP) harboring the T315I mutation as confirmed by a validated diagnostic test. This is our second approved small molecule drug and is also the sixth approved product in our commercial portfolio.

Cyramza® (ramucirumab)*: a VEGF receptor 2 antagonist collaborated with Lilly 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.*

In the U.S., CYRAMZA® (ramucirumab) has five FDA approvals to treat four different types of cancers. CYRAMZA® is being investigated in a broad global development program that has enrolled more than 15,000 patients across more than 110 trials worldwide. Cyramza® (ramucirumab) is the first FDA approved treatment for patients with advanced gastric cancer after prior chemotherapy and the first FDA approved biomarker-driven therapy in patients with HCC.

- In January 2021, the NDA for Cyramza® (ramucirumab) as second-line treatment in patients with advanced or metastatic G/GEJ adenocarcinoma was accepted by the NMPA.

- In September 2021, the NDA for Cyramza® (ramucirumab) as second-line treatment in patients with advanced HCC with baseline alpha-fetoprotein (AFP) ≥400ng/mL following first-line sorafenib was accepted by the NMPA.

- In March 2022, we expanded strategic partnership with Lilly in oncology for the Company 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.

- In March 2022, Cyramza® (ramucirumab) received NDA approval by the NMPA for 2L GC.

- In 2022, Cyramza® (ramucirumab)is expected to receive regulatory approval on the NDA in China for 2L HCC.

Management Discussion and Analysis

Our Late Stage Drug Candidate

We have six late stage candidates that are currently under NDA or pivotal clinical stages, including Retsevmo® (selpercatinib), IBI-326, IBI-344, IBI-376, IBI-306 and IBI-310, providing sustainable growth prospects for our business and benefiting more stratified and complex patient groups.

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

Retsevmo® (selpercatinib)*: a selective and potent RET kinase inhibitor collaborated with Lilly.*

In the U.S., Retsevmo® (selpercatinib) is approved by the FDA as the first therapy specifically indicated for the treatment of patients with metastatic RET fusion-positive NSCLC, advanced or metastatic RET-mutant MTC, and advanced or metastatic RET fusion-positive TC, respectively.

- In August 2021, the NDA for selpercatinib was accepted by the NMPA with granted priority review process for metastatic RET fusion-positive NSCLC, advanced or metastatic RET-mutant MTC, and advanced or metastatic RET fusion-positive TC, respectively.

- In March 2022, we expanded strategic partnership with Lilly in oncology for the Company 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.

- In 2022, Retsevmo® (selpercatinib) is expected to receive regulatory approval on the NDA in China for RET fusion-positive NSCLC, MTC and TC.

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

- In February 2021, IBI-326 received BTD from the NMPA for the indication of r/r MM, based on the results observed in ongoing Phase 1/2 study for the treatment of adults with r/r MM being conducted in China.

- In December 2021, the phase 1/2 clinical study results of IBI-326 were published at the 63rd American Society of Hematology ("**ASH**") Annual Meeting (Abstract # 547), with the title of "A Phase 1/2 Study of a Novel Fully Human B-Cell Maturation Antigen-Specific CAR-T Cells (CT103A) in Patients with Relapsed and/or Refractory Multiple Myeloma".

- In February 2022, IBI-326 received the Orphan Drug Designation by the FDA. IBI-326 will be eligible for certain development incentives, including FDA support for clinical studies, a waiver or reduction of registration application fee, and a seven-year U.S. market exclusivity granted upon product approval.

- In the first half of 2022, we and IASO Bio plan to submit the NDA to the NMPA for IBI-326 for the treatment of r/r MM.

IBI-344 (taletrectinib)*: a novel next-generation ROS1/NTRK TKI in-licensed from AnHeart.*

- In June 2021, we entered into an exclusive license agreement for the co-development and commercialization of AnHeart's lead drug candidate, taletrectinib – a next-generation TKI designed to effectively target ROS1 and NTRK – in Greater China, including mainland China, Hong Kong, Macau and Taiwan.

Management Discussion and Analysis

- In June 2021, the initial clinical data for the ongoing Phase 2 clinical study to investigate taletrectinib in treating patients with ROS1 fusion positive NSCLC (NCT04395677) was published at the American Society of Clinical Oncology ("**ASCO**") 2021 Annual Meeting.
- In June 2021, the first patient had been dosed in a Phase 2 basket trial of taletrectinib for solid tumors containing NTRK fusions (NCT04617054).
- In February 2022, the NMPA granted the BTD to taletrectinib for the treatment of patients with ROS1 fusion positive NSCLC.
- In 2022, we will keep following the ongoing Phase 2 study for taletrectinib for the treatment of ROS1 fusion positive NSCLC, and the Phase 2 study for solid tumors containing NTRK fusions.
- In 2022, we plan to release the updated data of the two phase 2 studies at the upcoming medical conferences.

***IBI-376 (parsaclisib)**: a potent, highly selective, next-generation investigational novel oral inhibitor of PI3Kδ in-licensed from Incyte.*

- In March 2021, the NMPA granted the BTD to IBI-376 for the treatment of r/r FL.
- In December 2021, we published the data of the pivotal Phase 2 study of IBI-376 for the treatment of r/r FL at the 2021 ASH annual meeting.
- In January 2022, Incyte decided to withdraw the application of parsaclisib in the U.S. in FL, MZL and MCL. The decision to withdraw the NDA follows discussions with the U.S. FDA regarding confirmatory studies to support an accelerated approval, which Incyte determined could not be completed within a time period that would support the investment. The withdrawal of the NDA was a business decision and is not related to any changes in either the efficacy or safety of parsaclisib. The decision impacts only the FL, MZL and MCL indications in the U.S., and does not affect other ongoing clinical trials in the U.S. or other countries.
- In the first half of 2022, we plan to present the updated data of the pivotal Phase 2 study of IBI-376 for the treatment of r/r FL at an upcoming medical conference.
- In the first half of 2022, we plan to have CDE communication to discuss the potential next step action for IBI-376 for r/r FL in China.

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

- In August 2021, IBI-306 met the primary endpoint of low-density lipoprotein cholesterol (LDL-C) in the Phase 3 study (CREDIT-2) for the treatment of HeFH.
- In February 2022, IBI-306 met the primary endpoint of low-density lipoprotein cholesterol (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.

Management Discussion and Analysis

- In the first half of 2022, we plan to file NDA submission with the NMPA for IBI-306 for hypercholesterolemia and combined hyperlipidemia.
- In April 2022, we plan to issue the data of the Phase 3 CREDIT-2 at the 2022 American College of Cardiology.
- In 2022, we plan to release the data of two Phase 3 studies CREDIT-1 and CREDIT-4 at upcoming medical conferences.

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

- By the end of 2021, we completed the first phase of patient enrolment for IBI-310 in the pivotal Phase 2 study for second-line or above CC and we have achieved positive PoC data.
- In April 2022, the NMPA has granted BTD for IBI310 in combination with sintilimab for the treatment of patients with recurrent or metastatic cervical cancer.
- In the second half of 2022, we plan to file the NDA submission with the NMPA for IBI-310 in combination with sintilimab for the treatment of 2L CC.
- In 2022, we plan to publish the pivotal Phase 2 data of IBI-310 for 2L CC at an upcoming medical conference.
- In 2022, we will keep following the Phase 3 study of IBI-310 in combination with sintilimab for the treatment of 1L HCC.

Our Selected Drug Candidate with PoC Data

We have seven candidates that achieved PoC data in 2021, including IBI-188, IBI-302, IBI-112, IBI-362 (IBI-326, IBI-344 and IBI-310 are mentioned above).

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

IBI-188*: a novel fully human anti-CD47 monoclonal antibody; with best-in-class potential.*

- At the end of 2021, we achieved preliminary positive PoC data in the Phase 1b trial for IBI-188 in combination with azacitidine for the treatment of 1L higher risk MDS.
- In June 2022, we plan to release the Phase 1b trial data for IBI-188 in combination with azacitidine for 1L MDS at 2022 European Hematology Association annual meeting.
- In the first half of 2022, we plan to start the Phase 3 clinical trial for IBI-188 in 1L MDS.

IBI-362*: an oxyntomodulin analog (OXM3) in-licensed from Lilly, potential global best-in-class clinical-stage diabetes drug candidate.*

- In June 2021, we released the Phase 1b study data of IBI-362 in obesity at the annual meeting of American Diabetes Association. IBI-362 has shown good safety, robust weight loss efficacy and multiple benefits in metabolic profile in the Phase 1 clinical study.

Management Discussion and Analysis

- In August 2021, the Phase 1b study results of IBI-362 in Chinese participants with overweight or obesity was published in *EClinicalMedicine* by the *Lancet*. This is the first time that a Phase 1 clinical study results of an innovative drug in the field of metabolism developed in China were published in the *Lancet* journals.

- In December 2021, we presented the Phase 1b study data of IBI-362 in type 2 diabetic patients at the International Diabetes Federation Virtual Congress 2021. It is a randomized, double-blind, placebo-controlled multiple-ascending-dose Phase 1b study. During this 12-week Phase 1b study on Chinese patients with type 2 diabetes, IBI-362 showed favorable safety, significant glycemic control and weight loss, with comprehensive benefits on blood pressure, lipid levels and liver enzymes.

- In 2021, we have initiated and completed the enrolment for the Phase 2 clinical study of IBI-362 in obesity subjects in China. This is a randomized, double-blind, placebo-controlled phase 2 study to assess the efficacy and safety of IBI-362 in overweight or obese subjects in China with enrolment of over 200 people.

- In 2021, we have initiated and completed the enrolment for Phase 2 clinical study of IBI-362 in type 2 diabetic patients. The randomized, multi-center phase 2 clinical trial will evaluate the efficacy and safety of IBI-362 as compared with placebo and dulaglutide in patients with type 2 diabetes in China.

- In the first half of 2022, we will read out data for the Phase 2 clinical study of IBI-362 for obesity subjects.

- In the first half of 2022, we will read out data for the Phase 2 clinical study of IBI-362 for type 2 diabetic patients.

- In 2022, we plan to release the Phase 1b data of high dose IBI-362 in obesity at an upcoming medical conference.

- In late 2022 to early 2023, we plan to release the Phase 2 clinical study data for IBI-362 in type 2 diabetic patients at an upcoming medical conference.

- In late 2022 to early 2023, we plan to release the Phase 2 clinical study data for IBI-362 in obesity patients at an upcoming medical conference.

- In the second half of 2022, we plan to start the Phase 3 clinical trial of IBI-362 for obesity subjects.

- In the second half of 2022, we plan to start the Phase 3 clinical trial of IBI-362 for type 2 diabetic patients.

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

- In November 2021, the Phase 1b study data of IBI-302 for nAMD was released at 2021 American Academy of Ophthalmology. Visual acuity improvement and reduction in retinal edema were observed in subjects at 4 weeks after three loading treatments.

- In November 2021, we completed the first patient dose for the Phase 1/2 clinical trial of high concentration IBI-302 in subjects with nAMD.

Management Discussion and Analysis

- In 2021, we have started and completed the enrolment for the Phase 2 trial of IBI-302 in subjects with active subfoveal or parafoveal choroidal neovascularization secondary to nAMD.
- In 2022, we plan to release Phase 1 clinical trial data for high concentration IBI-302 for nAMD at an upcoming medical conference.
- In 2022, we plan to enter Phase 2 clinical trial for high concentration IBI-302 for nAMD.
- At the end of 2022 to early 2023, we expect to read out data for the Phase 2 trial of IBI-302 in nAMD patients.

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

- In 2021, we have started and completed the patient enrolment for Phase 2 clinical study for IBI-112 for the treatment of psoriasis.
- In 2021, we have received preliminary positive PoC data in the Phase 2 clinical study for IBI-112 for the treatment of psoriasis.
- In the first half of 2022, we plan to start Phase 2 clinical study of IBI-112 for the treatment of Ulcerative Coitis (UC).
- In the mid of 2022, we plan to read out results for the Phase 2 clinical study of IBI-112 for psoriasis.
- At the end of 2022 to early 2023, we plan to release the Phase 2 clinical study data of IBI-112 for psoriasis at an upcoming medical conference.
- In the second half of 2022, we plan to start the Phase 3 clinical study for IBI-112 in psoriasis.

Other Selected Clinical Stage Drug Candidate

We have 19 assets in Phase 1/2 stage, most of which we own their global rights such as the cluster of CD47, LAG-3, TIGIT, KRAS, VEGF-based ophthalmology candidates. These candidates, together with over 80 projects at preclinical and drug discovery stage, can provide a robust and well-diversified pipeline for accelerated and sustainable growth of the Company in mid to long term.

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

IBI-110*: a novel anti-LAG-3 monoclonal antibody.*

- In June 2021, the results of the Phase 1 study of IBI-110 were released at the ASCO Annual Meeting 2021. IBI-110 has shown promising efficacy signal and safety profile in the study as a single agent as well as in combination with sintilimab in patients with advanced solid tumors refractory to standard of care therapy.
- Since the second half of 2021, we have initiated multiple Phase 1b and Phase 2 PoC studies for IBI-110 in different indications to explore the potential of this molecules, including 1L small cell lung cancer ("**SCLC**"), 1L NSCLC, 1L GC etc.
- In 2022, we plan to release the preliminary Phase 1b and Phase 2 results of IBI-110 in 1L SCLC, 1L NSCLC, and 1L GC in ASCO and other upcoming medical conference. We will continue to accelerate the development of IBI-110 in 2022.

Management Discussion and Analysis

***IBI-323**: a novel LAG-3/PD-L1 bi-specific antibody.*

- In 2021, we started enrolling patients for the Phase 1 clinical study of IBI-323.
- In 2022, we plan to initiate Phase 1b clinical study for IBI-323.

***IBI-322**: a novel first-in-class anti-CD47/PD-L1 bispecific antibody.*

- In 2021, we have been enrolling patients for the Phase 1 study for IBI-322 for the treatment of patients with advanced malignancies in China and in the U.S., which suggested preliminary safety and efficacy, as well as the RP2D dosage for future studies.
- Since 2021, we have initiated multiple Phase 1b studies for IBI-322 in different indications of solid tumor and blood tumors to explore the potential of this molecule.
- In April 2022, we plan to publish the Phase 1a data of IBI-322 for patients with advanced solid malignancies at the upcoming 2022 American Association for Cancer Research (AACR) annual meeting.
- In the second half of 2022, we plan to receive preliminary PoC data for IBI-322 in multiple indications.

***IBI-397**: a novel anti-SIRP monoclonal antibody co-developed and co-commercialized with Alector Therapeutics, Inc.(NASDAQ ticker symbol: ALEC).*

- In the first half of 2022, we plan to complete the first patient dose for IBI-397 in Phase 1 clinical trial in China.
- In 2022, we will continue in exploring IBI-397 in the Phase 1 clinical trial.

***IBI-351**: a novel, orally active, potent KRAS G12C inhibitor in-licensed from and co-developed with GenFleet.*

- In September 2021, we entered into an exclusive license agreement for the development and commercialization of GenFleet's lead KRAS G12C candidate, GFH925 (Innovent R&D code: IBI-351) in China, including mainland China, Hong Kong, Macau and Taiwan with additional option-in rights for global development and commercialization.
- In September 2021, we completed the first patient dosed for Phase 1/2 clinical trial of IBI-351 in Chinese patients with solid tumors.
- In 2022, we plan to report Phase 1a study result of IBI-351 at an upcoming medical conference.
- In 2022, we plan to complete Phase 1 study for IBI-351, and potentially enter pivotal Phase 2 study for 2L KRAS positive NSCLC.
- In 2022, we plan to initiate Phase 1b PoC studies for IBI-351 combination therapy for KRAS positive CRC and NSCLC etc.

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

- Since 2021, we have been following the Phase 1b clinical trial of IBI-939 in combination with sintilimab for advanced lung cancer.
- In 2022, we expect to receive preliminary data for the ongoing Phase 1b trial of IBI-939 for lung cancer.
- In 2022, we plan to release the Phase 1 study results for IBI-939 at an upcoming medical conference.

Management Discussion and Analysis

***IBI-321**: a novel TIGIT/PD-1 bi-specific antibody.*

- In 2021, we started patient enrolment for the Phase 1 clinical trial of IBI-321.
- In 2022, we plan to complete the patient enrollment for Phase 1 clinical trial of IBI-321 and start the potential Phase 1b study, subject to the result of the Phase 1 clinical trial.

***IBI-319**: a novel anti-PD-1/CD137 bi-specific antibody, discovered through a collaboration between us and Lilly and has been developed in China by us.*

- In July 2021, we completed the first patient dosed in the Phase 1 clinical study of IBI-319 in patients with advanced malignancies.
- In November 2021, we published the pre-clinical results of IBI-319 in *Nature Communications*.
- In 2022, we plan to enter Phase 1b clinical study for IBI-319.

***IBI-360**: a novel CLDN18.2 monoclonal antibody.*

- At the end of 2021, we completed first patient dosed for the Phase 1 clinical trials of IBI-360 in patients with solid tumors.

***IBI-389**: a novel CLDN18.2/CD3 bi-specific antibody.*

- In March 2022, we completed first patient dosed for the Phase 1 clinical trials of IBI-389 in patients with solid tumors.

***IBI-345**: a first-in-class IgG-based universal "modular" CLDN18.2 CAR-T therapy.*

- In February 2022, we completed the first patient dosing for first-in-class IgG-based universal "modular" Claudin 18.2-targeting CAR-T for the treatment of advanced Claudin18.2-positive solid tumors in an investigator-initiated-trial (IIT). Since we announced our strategic cooperation with Roche on 9 June 2020, this is the first disclosure of the development milestone for the cell therapy products based on Roche's proprietary innovative technology.

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

- In September 2022, we entered into a strategic collaboration and an exclusive license agreement with UNION to research, develop and commercialize orismilast in China.
- UNION is currently conducting Phase 2b study for orismilast in psoriasis and anticipates completion of the study in 2022.
- In 2022, we plan to start Phase 1 bridging study for IBI-353 in China. We plan to join two global Phase 3 pivotal studies on orismilast for atopic dermatitis and psoriasis led by UNION in the future.

Our Selected Pre-clinical candidates

- In 2022, we plan to proceed with more novel candidates to clinics this year with more advanced modalities and novel MoAs spanning from monoclonal antibody and bispecific antibody to ADC, T cell engager, and cell therapy, such as first-in-class IL-2 based bispecific antibody, IBI-363 (PD-1/IL-2), two ophthalmology bispecific antibodies IBI-333 (VEGF-A/VEGF-C), and IBI-324 (VEGF/ANG-2).

Management Discussion and Analysis

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.

Our strategic collaborations with domestic and overseas partners

- In January 2021, we entered into an agreement with Etana to out-license BYVASDA® (bevacizumab biosimilar)'s development and commercialization rights in Indonesia to Etana. Etana is committed to launch BYVASDA® (bevacizumab biosimilar) in the local Indonesian market. In return, the Company will receive milestones for development and commercialization as well as double-digit royalties on net sales.

- In June 2021, we entered into an exclusive agreement with AnHeart for the co-development and commercialization of AnHeart's lead drug candidate, taletrectinib – a next-generation TKI designed to effectively target ROS1 and NTRK – in Greater China, including mainland China, Hong Kong, Macau and Taiwan.

- In June 2021, we entered into a non-exclusive, target-specific license agreement with Synaffix in an ADC technology deal. Synaffix will provide all the necessary proprietary ADC technologies to enable the Company to rapidly progress one of its antibodies as a best-in-class ADC candidate. We will be responsible for the research, development, manufacturing and commercialization of the ADC product. Synaffix will closely support the Company's research activities and will be responsible for the manufacturing of components that are specifically related to its proprietary technologies.

- In July 2021, we entered into a multifaceted strategic collaboration with Ascentage. The collaboration includes: (i) the joint commercialization of olverembatinib in China; (ii) the collaborative clinical development of Bcl-2 inhibitor APG-2575 (lisaftoclax) with the anti-CD20 monoclonal antibody HALPRYZA® (rituximab biosimilar injection) and the anti-CD47 monoclonal antibody (IBI-188); and (iii) the equity investment in Ascentage.

- In July 2021, we entered into a collaboration agreement with Laekna to evaluate the combination of the Company's PD-1 inhibitor sintilimab and Laekna's pan-AKT kinase inhibitor afuresertib.

- In August 2021, we entered into a drug research and development collaboration with Bolt to develop three new anti-cancer therapeutic immune-stimulating antibody conjugate (ISAC) candidates.

- In September 2021, we entered into an exclusive license agreement with GenFleet for the development and commercialization of GenFleet's lead KRAS G12C candidate, GFH925, in China, including mainland China, Hong Kong, Macau and Taiwan with additional option-in rights for global development and commercialization.

- In September 2021, we entered into a strategic collaboration and license agreement with UNION for the development and commercialization of orismilast in China.

- In October 2021, we entered into a strategic collaboration agreement with NeoCura to carry out a clinical study in China on the combination therapy of sintilimab from the Company and individualized neoantigen vaccine NEO_PLIN2101 from NeoCura.

Management Discussion and Analysis

- In January 2022, we entered into an agreement pursuant to which Sana Biotechnology, Inc. (NASDAQ ticker symbol: SANA) obtained from IASO Bio and Innovent 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 established expanded strategic partnership with Lilly in oncology 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.

Our Manufacturing Facilities

- In the second half of 2021, we successfully expanded our production capacity from 24,000L to 60,000L, to provide 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 of TYVYT® (sintilimab injection) and other products manufactured on the facilities, increasing the product gross profit margin of product sales to 88.6% in 2021 as compared to 84.9% in 2020.

Other Corporate Development

- In January 2021, the Company successfully raised approximately HK$4.7 billion through a placing of new shares. The proceeds are planned to be used to expedite the investment and development of various clinical programs for our leading innovative products globally, fund potential product licensing and possible M&A activities, further expand the production capacity, and for working capital and other general corporate use.

- In August 2021, we established the SAB comprising three world-renowned scientists, to provide scientific advices to our research and clinical pipelines that fulfill the mission and vision of the Company, along with the global reach to benefit patients worldwide.

- In 2021, we have successfully established our U.S. Lab in Maryland. With the plan to initially host a number of industry leading scientists and Lab-based technical staffs, the U.S. Lab is primarily focused on disease mechanism study and technology-platform development, in order to feed the product pipeline with the next-generation drug candidates. The U.S. Lab will work as an important component of the Company's R&D infrastructure, with the aim to connect with frontline global innovation and clinical practices, and accelerate the development of medicines from scientific discovery to fulfil our mission of discovering and developing more high quality, life-saving medicines that are affordable to ordinary people.

Management Discussion and Analysis

Financial Review

Year Ended 31 December 2021 Compared to Year Ended 31 December 2020

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers	**4,269,729**	3,843,819
Cost of sales	**(573,040)**	(387,761)
Gross profit	**3,696,689**	3,456,058
Other income	**196,881**	246,787
Other gains and losses	**(72,784)**	(479,965)
Research and development expenses	**(2,478,067)**	(1,851,453)
Administrative and other expenses	**(884,027)**	(436,872)
Selling and marketing expenses	**(2,728,166)**	(1,340,861)
Royalties and other related payments	**(719,077)**	(384,057)
Finance costs	**(62,464)**	(68,350)
Loss before tax	**(3,051,015)**	(858,713)
Income tax expense	**(87,038)**	(139,708)
Loss for the year	**(3,138,053)**	(998,421)
Other comprehensive income:		
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	**(120,009)**	–
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**1,995**	–
Other comprehensive income for the year, net of income tax	**(118,014)**	–
Total comprehensive expense for the year	**(3,256,067)**	(998,421)
Non-IFRS measure:		
Adjusted total comprehensive expense for the year	**(2,360,588)**	(1,992,998)

Management Discussion and Analysis

1. Revenue

For the year ended 31 December 2021, the Group generated revenue from contracts with customers of RMB4,269.7 million. The Group generated revenue from (i) sales of pharmaceutical products; and (ii) license fee income. The following table sets forth the components of the revenue from contracts with customers for the years presented:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers:		
Sales of pharmaceutical products	**4,001,077**	2,367,531
License fee income	**268,652**	1,476,113
Research and development service fee income	**–**	175
Total revenue from contracts with customers	**4,269,729**	3,843,819

During the year ended 31 December 2021, the Group recorded revenue from sales of pharmaceutical products of RMB4,001.1 million, as compared with RMB2,367.5 million for the year ended 31 December 2020.

During the year ended 31 December 2021, the Group recorded license fee income of RMB268.7 million, as compared with RMB1,476.1 million for the year ended 31 December 2020. 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 biosimilar), the Group received collaboration payments and started to recognise revenue at the commercialisation stage of relevant products. During the years ended 31 December 2021 and 2020, such license fee income recorded was RMB259.8 million and RMB79.0 million, respectively. Meanwhile, the Group recognized a one-time license fee income of RMB8.9 million for the year ended 31 December 2021, as compared with RMB1,397.1 million for the year ended 31 December 2020.

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. During the year ended 31 December 2021, the Group recorded cost of sales of RMB573.0 million, as compared with RMB387.8 million for the year ended 31 December 2020.

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 2021, other income of the Group decreased by RMB49.9 million to RMB196.9 million, from RMB246.8 million for the year ended 31 December 2020. The decrease was primarily due to decrease in government grants income, partially offset by increased bank interest income.

Management Discussion and Analysis

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) investment income derived from financial asset measured at amortized cost; and (iv) loss on disposal of property, plant and equipment.

For the year ended 31 December 2021, other gains and losses of the Group was a loss of RMB72.8 million, as compared with a loss of RMB480.0 million for the year ended 31 December 2020, which included losses of RMB198.7 million mainly arising from unrealised net foreign exchange adjustment as a result of the weakening of certain major currency USD against the RMB, partially offset by a gain of approximately RMB126.7 million related to the investment on other financial assets and other financial liabilities.

5. Research and Development 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 amortization.

For the years ended 31 December 2021 and 31 December 2020, the Group incurred R&D expenses of RMB2,478.1 million and RMB1,851.5 million, respectively. The increase was mainly driven by (i) increased expense of 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 2021, administrative and other expenses of the Group increased to RMB884.0 million from RMB436.9 million for the year ended 31 December 2020. The significant increase was caused by hiring of new 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 RMB2,728.2 million for the year ended 31 December 2021, as compared with RMB1,340.9 million for the year ended 31 December 2020. The Group continuously devotes commercialization efforts to build sales channels and explore potential marks to maximize the commercial value of our products.

8. Royalties and Other Related Payments

Royalties and other related payments were RMB719.1 million for the year ended 31 December 2021, as compared with RMB384.1 million for the year ended 31 December 2020. 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 RMB87.0 million for the year ended 31 December 2021 as compared with RMB139.7 million for the year ended 31 December 2020, which represented (i) provision of income tax expense arising from taxable income in certain subsidiaries of the Group; and (ii) withholding tax paid for out-license income generated from ex-China.

Management Discussion and Analysis

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 and non-recurring events including the share-based compensation expenses (excluding insignificant prior year expense adjustment of RMB6,528 thousands) and license fee income recognized at a point in time. The table below sets forth non-IFRS measures and a reconciliation of adjusted total comprehensive expenses for the year to total comprehensive expenses for the years presented:

Management Discussion and Analysis

Non-IFRS measure

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers	**4,260,866**	2,446,742
Cost of sales	**(455,473)**	(358,725)
Gross profit	**3,805,393**	2,088,017
Other income	**196,872**	246,787
Other gains and losses	**(74,442)**	(479,965)
Other gains and losses derived from operation of funds[3]	**(4,354)**	–
Research and development expenses	**(2,115,990)**	(1,717,785)
Administrative and other expenses	**(640,211)**	(279,949)
Selling and marketing expenses	**(2,541,263)**	(1,257,988)
Royalties and other related payments	**(719,077)**	(384,057)
Finance costs	**(62,464)**	(68,350)
Loss before tax	**(2,155,536)**	(1,853,290)
Income tax expense	**(87,038)**	(139,708)
Adjusted loss for the year	**(2,242,574)**	(1,992,998)
Other comprehensive income:		
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	**(120,009)**	–
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**1,995**	–
Other comprehensive income for the year, net of income tax	**(118,014)**	–
Adjusted total comprehensive expense for the year	**(2,360,588)**	(1,992,998)
Added:		
Share-based compensation expenses	**(904,342)**	(402,500)
License fee income recognized at a point in time	**8,863**	1,397,077
Total comprehensive expense for the year	**(3,256,067)**	(998,421)

[3] Other gains and losses derived from operation of funds is not a financial measure defined under the IFRS. It represents the gains and losses derived from operation of certain fund business started from 2021 while such gains and losses were included in other items under the IFRS.

Management Discussion and Analysis

The table below sets forth a reconciliation of the revenue from contracts with customers to adjusted total revenue for the years:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers	**4,269,729**	3,843,819
Added:		
License fee income recognized at a point in time	**(8,863)**	(1,397,077)
Adjusted total revenue	**4,260,866**	2,446,742

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Gross profit margin	**3,696,689**	3,456,058
Added:		
Share-based compensation expenses	**117,567**	29,036
License fee income recognized at a point in time	**(8,863)**	(1,397,077)
Adjusted gross profit margin	**3,805,393**	2,088,017

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
R&D expenses	**(2,478,067)**	(1,851,453)
Added:		
Share-based compensation expenses	**362,077**	133,668
Adjusted R&D expenses	**(2,115,990)**	(1,717,785)

Management Discussion and Analysis

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	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	**(2,728,166)**	(1,340,861)
Added:		
Share-based compensation expenses	**186,903**	82,873
Adjusted selling and marketing expenses	**(2,541,263)**	(1,257,988)

Selected Data from Statement of Financial Position

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Total current assets	**11,550,849**	9,466,681
Total non-current assets	**4,692,864**	2,368,315
Total assets	**16,243,713**	11,834,996
Total current liabilities	**3,050,047**	1,485,851
Total non-current liabilities	**2,863,269**	1,569,375
Total liabilities	**5,913,316**	3,055,226
Net current assets	**8,500,802**	7,980,830

11. Liquidity and Source of Funding and Borrowing

As at 31 December 2021, the Group's bank balances and cash and current portion of other financial assets increased to RMB9,021.9 million from RMB8,121.1 million as at 31 December 2020. The increase primarily resulted from the placement of new shares for approximately RMB3,893.3 million in January 2021, partially offset by investments in ongoing R&D projects, commercialisation activities and capacity expansion.

As at 31 December 2021, the current assets of the Group were RMB11,550.8 million, including bank balances and cash of RMB8,377.1 million and current portion of other financial assets of RMB644.8 million. As at 31 December 2021, the current liabilities of the Group were RMB3,050.0 million, including trade payables of RMB195.1 million, other payables and accrued expenses of RMB2,051.6 million, contract liabilities of RMB355.5 million, borrowings of RMB365.0 million, tax payable of RMB60.6 and lease liabilities of RMB22.3 million.

As at 31 December 2021, the Group had available unutilized bank loan facilities of approximately RMB704.0 million.

Management Discussion and Analysis

12. Key Financial Ratios

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

	As at 31 December 2021	As at 31 December 2020
Current ratio[4]	**3.8**	6.4
Quick ratio[5]	**3.3**	5.9
Gearing ratio[6]	**NM[3]**	NM[3]

13. Significant Investments

The Group did not hold any significant investments that accounted for 5% or more of the Company's total assets during the year ended 31 December 2021.

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 2021.

15. Pledge of Assets

As at 31 December 2021, the Group had a total of RMB488.5 million of property, plant and equipment, RMB286.0 million of land use rights and RMB1,074.4 million of bank deposits pledged to secure its loans and banking facilities.

16. Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities.

17. Foreign Exchange Exposure

During the year ended 31 December 2021, 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 2021, 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 2021. The Group uses forward contracts to eliminate the foreign exchange exposures.

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

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

6 Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing borrowings less cash equivalents was negative.

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2021.

Directors

The Directors who held office during the year ended 31 December 2021 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

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 62 to 65 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 Act, 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 has 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, manufacturing and commercialisation capabilities. These capabilities have enabled the Group to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other drug assets in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases. The full integration of our platform enables smooth collaboration between different functional groups at key points in the lifecycle of a drug candidate with the aim of increasing both the speed of development and the likelihood of success while at the same time reducing the cost of development.

Results

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83 of this annual report.

Report of Directors

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 no later than five months after the end of the financial year.

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.

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 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Report of Directors

Employees and Remuneration

As at 31 December 2021, the Group had a total of 5,568 (as at 31 December 2020: 3,279) employees. The following table sets forth the total number of employees by function as of 31 December 2021:

Function	Number of employees	% of total
Research and Development	1,177	21
Manufacturing	1,208	22
Selling and Marketing	2,768	50
General and Administrative	415	7
Total	5,568	100

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 has adopted the Pre-IPO Plan, 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 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 2021 was RMB2,794.7 million, as compared to RMB1,360.3 million for the year ended 31 December 2020.

During the year ended 31 December 2021, the Group did not experience any significant labor disputes or any difficulty in recruiting employees.

Report of Directors

Major Customers and Suppliers

Major Customers

During the year ended 31 December 2021, the Group derived all of its revenues from (i) sales of pharmaceutical products; and (ii) license fee income. For the year ended 31 December 2021, revenue from the five largest customers accounted for 84.2% (2020: 95.2%) of the Group's total revenue and the Group's largest customer for the year ended 31 December 2021 accounted for approximately 76.1% (2020: 90.9%) 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 2021, purchases from the Group's five largest suppliers accounted for approximately 32.2% (2020: 20.9%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2021 accounted for approximately 10.8% (2020: 5.0%) 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 2021, 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 169 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 2021 are set out in Note 14 to the consolidated financial statements.

Report of Directors

Share Capital and Shares Issued

On 22 January 2021, the Company completed a placing of an aggregate of 52,000,000 new Shares at a placing price of HK$90.90 per placing Share to not less than six placees who and whose ultimate beneficial owner(s) are independent third parties.

Details of movements in the share capital of the Company for the year ended 31 December 2021 and details of the Shares issued during the year ended 31 December 2021 are set out in Note 30 to the consolidated financial statements.

Donation

During the year ended 31 December 2021, the Group made charitable donations of approximately RMB204.6 million (2020: approximately RMB72.9 million).

Debenture Issued

The Group did not issue any debenture during the year ended 31 December 2021.

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 2021.

Dividends

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2021.

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 2021. 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 2021, the Company had distributable reserves for share premium of RMB22,493,658 (2020: RMB18,541,251,000).

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 86 and in Note 37 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 2021 are set out in the section headed “Management Discussion and Analysis” in this annual report and Note 27 to the consolidated financial statements.

Report of Directors

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 or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), subject to renewal after the expiry of the then current term.

The non-executive Director has signed a letter of appointment with the Company for a term of three years with effect from the date of his letter of appointment or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), subject to renewal after the expiry of the then current term. Mr. Shuyun Chen has resigned on 25 February 2022.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years until the third annual general meeting of the Company since the commencement date of his/her appointment letter (whichever is sooner), subject to renewal after the expiry of the then current term.

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

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 33A 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 2021.

Contracts with Controlling Shareholders

The Company has no Controlling Shareholders during the year ended 31 December 2021.

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 2021.

Report of Directors

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 2021, 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	Approximate percentage of holding[1]	Long position/ Short position
Dr. De-Chao Michael Yu	Beneficial owner	98,043,391[2]	6.71%	Long position
		371,747[3]	0.03%	Short position
	Grantor of a trust	9,000,000[4]	0.62%	Long position
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	12,422,595[5]	0.85%	Long position
Dr. Charles Leland Cooney	Beneficial owner	43,764[6]	0.00%	Long position
Mr. Ronald Hao Xi Ede	Beneficial owner	6,226,568[7]	0.43%	Long position
Ms. Joyce I-Yin Hsu	Beneficial owner	4,674[8]	0.00%	Long position
Dr. Kaixain Chen	Beneficial owner	4,674[9]	0.00%	Long position

Notes:

1. The calculation is based on the total number of 1,462,108,664 Shares in issue as at 31 December 2021.

2. Includes (i) 81,716,595 Shares held directly by Dr. Yu, (ii) Dr. Yu's entitlement to receive up to 7,250,000 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 9,076,796 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.

Report of Directors

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) 39,090 Shares held by Dr. Charles Leland Cooney; (ii) the entitlement to 2,857 Shares underlying Restricted Shares granted to Dr. Charles Leland Cooney which have vested on 1 January 2021 but such 2,857 Shares have not been registered to Dr. Charles Leland Cooney as at 31 December 2021; and (iii) Dr. Cooney's entitlement to the aggregate of 1,817 Shares underlying Restricted Shares granted to him, subject to the conditions of these underlying Restricted Shares. Such number of shares is an indicative number calculated with the exchange rate and average closing price of the Shares for all trading days in the year 2021 from January 4, 2021 up to and including the trading day immediately preceding the INED RS Vesting Date (i.e. 31 December 2021).

7. Includes (i) 3,815,616 Shares held directly by Mr. Ronald Hao Xi Ede and (ii) Mr. Ede's entitlement to receive up to 1,930,952 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 480,000 Shares underlying Restricted Shares granted to him, subject to the conditions of these underlying Restricted Shares.

8. Includes (i) the entitlement to 2,857 Shares underlying Restricted Shares granted to Ms. Joyce I-yin Hsu which have vested on 1 January 2021 but such 2,857 Shares have not been registered to her as at 31 December 2021; and (ii) Ms. Joyce I-yin Hsu's entitlement to the aggregate of 1,817 Shares underlying Restricted Shares granted to her, subject to the conditions of these underlying Restricted Shares. Such number of shares is an indicative number calculated with the exchange rate and average closing price of the Shares for all trading days in the year 2021 from January 4, 2021 up to and including the trading day immediately preceding the INED RS Vesting Date (i.e. 31 December 2021).

9. Includes (i) the entitlement to 2,857 Shares underlying Restricted Shares granted to Dr. Kaixian Chen which have vested on 1 January 2021 but such 2,857 Shares have not been registered to him as at 31 December 2021; and (ii) Dr. Kaixian Chen's entitlement to the aggregate of 1,817 Shares underlying Restricted Shares granted to him, subject to the conditions of these underlying Restricted Shares. Such number of shares is an indicative number calculated with the exchange rate and average closing price of the Shares for all trading days in the year 2021 from January 4, 2021 up to and including the trading day immediately preceding the INED RS Vesting Date (i.e. 31 December 2021).

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

Report of Directors

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

As at 31 December 2021, 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	Long position/ Short position
FIL Limited[2]	Interest in a controlled corporation	139,099,199	9.51%	Long position
Pandanus Partners L.P.[2]	Interest in a controlled corporation	143,069,699	9.79%	Long position
Pandanus Associates Inc.[2]	Interest in a controlled corporation	139,099,199	9.31%	Long position
FMR LLC[4]	Interest in a controlled corporation	88,300,746	6.04%	Long position
The Capital Group Companies, Inc[3]	Interest in a controlled corporation	78,277,090	5.35%	Long position
TLS BETA PTE. LTD. ("**TLS Beta**") [4]	Beneficial interest	64,482,850	4.41%	Long position
Temasek Life Sciences Private Limited[4]	Interest in a controlled corporation	75,712,850	5.18%	Long position
Fullerton Management Pte Ltd[4]	Interest in a controlled corporation	75,712,850	5.18%	Long position
Temasek Holdings (Private) Limited[4]	Interest in a controlled corporation	75,712,850	5.18%	Long position
Citigroup Inc.	Interest in a controlled corporation	30,518,134	2.09%	Long position
	Interest in a controlled corporation	2,635,000	0.18%	Short position
	Approved lending agent	26,968,488	1.84%	Lending pool

Notes:

1. The calculation is based on the total number of 1,462,108,664 Shares in issue as at 31 December 2021.

2. FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. As such, under the SFO, Pandanus Partners L.P. and Pandanus Associates Inc. are deemed to be interested in the Shares held by Eight Roads Holdings Limited and Eight Roads Investments.

3. The Capital Group Companies, Inc. is deemed to be interested in the 78,277,090 Shares held by its wholly-owned subsidiary, Capital Research and Management Company, which is deemed to be interested in the 78,277,090 Shares held by Capital Group International, Inc., a wholly-owned subsidiary of Capital Research and Management Company, which is in turn deemed to be interested in the 78,277,090 Shares held by Capital International, Inc., a wholly-owned subsidiary of Capital Group International, Inc.

4. 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 64,482,850 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 other entity under their control.

   In addition, Temasek Holdings (Private) Limited is deemed to be interested in the 5,652,000 Shares held by other entity under its control.

Save as disclosed above, as at the date 31 December 2021, 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.

Report of Directors

Equity Plans

1. Pre-IPO Share Incentive Plan

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.

Further details of the Pre-IPO Share Incentive Plan are set out in the Prospectus and Note 31 to the financial statements.

A summary of the principal terms of the Pre-IPO Share Incentive Plan is set out below:

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 Issue under the Pre-IPO Share Incentive Plan

The overall limit on the number of underlying shares which may be delivered pursuant to Awards granted under the Pre-IPO Share Incentive Plan is 165,476,820 of the Company's authorised but unissued Ordinary Shares with a par value of US$0.00001 each, subject to any adjustments for other dilutive issuances.

As at 31 December 2021, the aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Incentive Plan is 42,425,296 Shares, representing approximately 2.90% of the total issued Shares. Details of the Pre-IPO Share Incentive Plan are set out in Note 31 to the consolidated financial statements.

Consideration

Nil consideration is required to be paid by the grantees for the grant of awards under the Pre-IPO Share Incentive Plan.

Determination of 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.

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. 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.

The remaining life of the Pre-IPO Share Incentive Plan is approximately four months.

Outstanding Share Options

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 2021. No options were granted since the Listing Date and up to the Latest Practicable Date. For further details on the movement of the options during the Reporting Period please see Note 31 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.

Report of Directors

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan as at 31 December 2021 are as follows:

Name or category of grantee	Date of grant	Option period	Vesting period	Exercise price	Number of options				
					Outstanding as at 1 January 2021	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2021
Other grantees 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	51,299,213	(7,332,667)	–	(1,471,250)	42,425,296
Total					51,299,213	(7,332,667)	–	(1,471,250)	42,425,296

Note: The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK$0.22.

2. Post-IPO ESOP

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.

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

A summary of the principal terms of the Post-IPO ESOP is set out below:

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

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 "**Option Scheme Mandate Limit**").

Report of Directors

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 (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO ESOP and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Limit 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.

Time of Exercise of an Option

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.

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 6.5 years.

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.

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.

Report of Directors

Details of the movements of the options granted under the Post-IPO ESOP as at 31 December 2021 are as follows:

Name or category of grantee	Date of grant	Option period	Vesting Period	Number of options						Closing price of the Shares immediately before the date of grant
				Exercise price	Outstanding as at 1 January 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 31 December 2021	
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
	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
	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
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
	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
	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
Other grantees 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 options: 75% shall vest on 15 March 2022; and 25% shall vest on 15 March 2023	HK$28.30	9,539,964	–	–	(674,342)	8,865,622	HK$28.45
	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	965,713	–	–	–	965,713	HK$26.40
	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	2,055,713	–	–	–	2,055,713	HK$24.45
	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	4,594,119	–	–	–	4,594,119	HK$28.15
	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	14,336,535	–	–	(445,714)	13,890,821	HK$34.00

Report of Directors

Name or category of grantee	Date of grant	Option period	Vesting Period	Number of options						Closing price of the Shares immediately before the date of grant
				Exercise price	Outstanding as at 1 January 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at 31 December 2021	
	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	13,811,640	–	–	(49,144)	13,762,496	HK$48.00
	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	2,044,304	–	–	–	2,044,304	HK$53.45
	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	7,174,638	–	–	–	7,174,638	HK$51.90
	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	–	10,446,428	–	(208,023)	10,238,405	HK$73.80
	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	–	5,879,284	–	(22,857)	5,856,427	HK$86.05
		10 years from the date of grant	50% shall vest on 23 June 23, 2026; and 50% shall vest on 23 June 2027	HK$90.05	–	714,286	–	–	714,286	HK$86.05
	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	–	460,537	–	--	460,537	HK$64.20
	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	–	1,387,425	–	–	1,387,425	HK$66.40
Total					62,325,007	20,266,531	–	(1,400,080)	81,191,458	

3. 2018 RS Plan

The 2018 RS Plan was approved by the Shareholders on 15 October 2018. 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.

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.

Report of Directors

As at 31 December 2021, 26,099,092 restricted Shares had been granted or agreed to be granted under the RS Plan.

Further details of the RS Plan are set out in the Prospectus and Note 31 to the financial statements.

Details of the movements of the restricted Shares granted under the 2018 RS Plan as at 31 December 2021 are as follows:

Name or category of grantee	Date of grant	Held at 1 January 2021	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Held at 31 December 2021	Vesting Period	Closing price at date of grant
Director								
Dr. De-Chao Michael Yu	2 May 2019	5,521,437	–	(1,380,359)	–	4,141,078	5 years from the date of grant	HK$25.15
	15 April 2020	1,450,000	–	–	–	1,450,000	4 years from the date of grant	HK$33.95
Mr. Ronald Hao Xi Ede	15 April 2020	320,000	–	–	–	320,000	4 years from the date of grant	HK$33.95
Dr. Charles Leland Coone	15 April 2020	3,891[Note]	–	(3,891)	–	–	1 January 2021	HK$33.95
Ms. Joyce I-Yin Hsu	15 April 2020	3,891[Note]	–	(3,891)	–	–	1 January 2021	HK$33.95
Dr. Kaixian Chen	15 April 2020	3,891[Note]	–	(3,891)	–	–	1 January 2021	HK$33.95
Other grantees than Directors, senior management and connected persons								
	2 May 2019	2,835,085	–	–	–	2,835,085	2,732,437 restricted shares: 6 years from the date of grant 102,648 restricted shares: 4 years from the date of grant	HK$25.15
	14 June 2019	1,056,000	–	–	–	1,056,000	4 years from the date of grant	HK$25.90
	29 August 2019	1,555,000	–	–	–	1,555,000	4 years from the date of grant	HK$25.85
	4 December 2019	4,207,082	–	–	–	4,207,082	4 years from the date of grant	HK$28.15
	15 April 2020	3,982,880	–	–	(148,200)	3,834,680	4 years from the date of grant	HK$33.95
	11 June 2020	6,708,767	–	–	(8,600)	6,700,167	4 years from the date of grant	HK$47.80
Total		27,647,924	–	(1,392,032)	(156,800)	26,099,092		

Note: The grant was vested on 1 January 2021 and the final number of granted and vested shares is 2,875, calculated by dividing the value of the grant (being RMB120,000) by the average closing price of the Shares of the Company on the Stock Exchange, as stated in the daily quotation sheets issued by the Stock Exchange, for all trading days in the year 2020 from 2 January 2020 up to and including the trading day immediately preceding the vesting date of the restricted Shares granted to Dr. Cooney, Ms. Hsu and Dr. Chen (i.e., 31 December 2020).

4. 2020 RS Plan

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

Report of Directors

67,152,410 Shares will be issued by the Company within five years of 12 June 2020 for distribution of Shares corresponding to the restricted shares.

Further details of the 2020 RS Plan are set out in the announcement of the Company dated 27 May 2020, the circular of the Company dated 28 May 2020. and Note 31 to the financial statements.

As at 31 December 2021, 7,232,750 restricted Shares had been granted or agreed to be granted under the RS Plan.

Details of the movements of the restricted Shares granted under the 2020 RS Plan as at 31 December 2021 are as follows:

Name or category of grantee	Date of grant	Held at 1 January 2021	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Held at 31 December 2021	Vesting Period	Closing price at date of grant
Director								
Dr. De-Chao Michael Yu	30 March 2021	–	725,000	–	–	725,000	4 years from the date of grant	HK$78.20
Mr. Ronald Hao Xi Ede	30 March 2021	–	160,000	–	–	160,000	4 years from the date of grant	HK$78.20
Dr. Charles Leland Cooney	30 March 2021	–	1,817[Note]	–	–	1,817	1 January 2022	HK$78.20
Ms. Joyce I-Yin Hsu	30 March 2021	–	1,817[Note]	–	–	1,817	1 January 2022	HK$78.20
Dr. Kaixian Chen	30 March 2021	–	1,817[Note]	–	–	1,817	1 January 2022	HK$78.20
Other grantees than Directors, senior management and connected persons								
	27 August 2020	1,657,000	–	–	–	1,657,000	4 years from the date of grant	HK$54.55
	3 December 2020	6,474,864	–	–	–	6,474,864	4 years from the date of grant	HK$53.90
	30 March 2021	–	2,342,333	–	(37,900)	2,304,433	4 years from the date of grant	HK$78.20
	23 June 2021	–	2,128,056	–	(4,000)	2,124,056	256,000 restricted shares: 6 years from the date of grant 1,872,056 restricted shares: 4 years from the date of grant	HK$90.05
	26 August 2021	–	354,000	–	–	354,000	4 years from the date of grant	HK$61.90
	6 December 2021	–	1,481,110	–	–	1,481,110	4 years from the date of grant	HK$61.80
		–	36,800	(36,800)	–	–	6 December 2021	HK$61.80
Total		8,131,864	7,232,750	(36,800)	(41,900)	15,285,914		

Note: The grant was vested on January 1, 2022 and the final number of granted and vested shares is 1,845, calculaed by dividing the value of the grant (being RMB120,000) by the average closing price of the Shares of the Company on the Stock Exchange, as stated in the daily quotation sheets issued by the Stock Exchange, for all trading days in the year 2021 from January 4, 2021 up to and including the trading day immediately preceding the INED RS Vesting Date (i.e., December 31, 2021).

Report of Directors

Directors' Rights to Acquire Shares or Debenture

Save as disclosed in this annual report, at no time during the year ended 31 December 2021 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 CG 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 10 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 2021, directors were granted discretionary bonuses of a total sum of RMB6.2 million excluding the special bonus set out in Note 21 to the consolidated financial statements (equivalent to approximately 15 months of their base salary). Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended 31 December 2021.

Directors' Interests in Competing Business

During the year ended 31 December 2021, 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 for the Group for the year ended 31 December 2021. Details of related party transactions of the Group for the year ended 31 December 2021 are set out in Note 33A to the consolidated financial statements.

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

On 15 January 2021, the Company and Morgan Stanley & Co. International plc, Goldman Sachs (Asia) L.L.C. and J.P Morgan Securities (Asia Pacific) Limited (the "**Joint Placing Agents**") entered into a placing agreement, pursuant to which the Company agreed to appoint the Joint Placing Agents, and the Joint Placing Agents agreed to act as placing agents for the purpose of procuring, as agents of the Company, placees for, or failing which to purchase itself, 52,000,000 placing shares at the placing price of HK$90.90 per placing share on the terms and subject to the conditions set out in the placing agreement. The placing was completed on 22 January 2021. For further details, please refer to the announcements of the Company dated 15 January 2021 and 22 January 2021.

Save as disclosed in this annual report, 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 2021. 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 2021.

Report of Directors

Use of Net Proceeds

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

The placing of new shares pursuant to the placing agreement dated 12 February 2020 (the "**February 2020 Placing Agreement**") was completed on 20 February 2020 (the "**February 2020 Placing**"). An aggregate of 78,000,000 new placing shares, representing approximately 5.81% of the enlarged issued share capital of the Company immediately after the completion of the February 2020 Placing, were successfully placed to not less than six places who and whose ultimate beneficial owners are third parties independent of the Company.

The placing price of HK$30.20 per placing share represents: (i) a discount of approximately 5.03% to the closing price of HK$31.80 per Share as quoted on the Stock Exchange on 12 February 2020, being the date of the February 2020 Placing Agreement; and (ii) a discount of approximately 4.76% to the average closing price of approximately HK$31.71 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the February 2020 Placing Agreement.

The net proceeds raised from the February 2020 Placing were approximately HK$2,330.6 million (approximately RMB2,099.7 million). The net proceeds have been utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the February 2020 Placing, that is, preparing for future capacity expansion of the possible rapid growth due to the inclusion of TYVYT® (sintilimab injection) in the National Reimbursement Drug List, as well as in anticipation of the other new drugs the Company expects to launch in the next few years, and general corporate use, as appropriate.

As at 31 December 2021, net proceeds of the February 2020 Placing had been utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the February 2020 Placing. The table below sets out the use of proceeds from the February 2020 Placing as at 31 December 2020 and 2021:

Use of net proceeds from the February 2020 Placing as disclosed in the Company's announcements relating to the February 2020 Placing	Utilisation as at 31 December 2020 RMB million	Unutilised as at 31 December 2020[Note] RMB million	**Utilisation as at 31 December 2021 RMB million**	**Unutilised as at 31 December 2021 RMB million**
Future capacity expansion	71.5	N/A	**297.7**	**N/A**
Anticipation of other new drugs the Company expects to launch in the next few years	–	N/A	**1,417.0**	**N/A**
General corporate use	13.7	N/A	**385.0**	**N/A**
	85.2	2,014.5	**2,099.7**	**–**

Note: The use of unutilised proceeds was dependent upon actual business needs and therefore an exact breakdown was not available.

Report of Directors

(b) 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 places 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 in the United States, and (iii) for general corporate use, as appropriate.

As at 31 December 2021, approximately RMB1,391.9 million of the net proceeds of the July 2020 Placing had been utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the July 2020 Placing, and RMB1,122.3 million remained unutilised. The table below sets out the use of proceeds from the July 2020 Placing as at 31 December 2021:

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 31 December 2020 RMB million	Unutilised as at 31 December 2020[(Note)] RMB million	**Utilisation as at 31 December 2021 RMB million**	**Unutilised as at 31 December 2021 RMB million**
Building a second production facility in Suzhou for TYVYT® (sintilimab injection) and additional capacity commensurate with our growth	379.0	N/A	**842.9**	**N/A**
Funding increased international clinical trial needs with expansion of research & development laboratories in the United States	19.5	N/A	**127.7**	**N/A**
General corporate use	–	N/A	**421.3**	**N/A**
	398.5	2,115.7	**1,391.9**	**1,122.3**

Note: The use of unutilised proceeds will be dependent upon actual business needs and therefore an exact breakdown is not currently available.

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 18 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 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% 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% will be for further expanding the production capacity and for working capital and other general corporate use.

As at 31 December 2021, approximately RMB1,262.9 million of the net proceeds of the January 2021 Placing had been utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the January 2021 Placing, and RMB2,630.4 million remained unutilised. The table below sets out the use of proceeds from the January 2021 Placing as at 31 December 2021:

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 31 December 2021 RMB million	**Unutilised as at 31 December 2021[(Note)] RMB million**
Expediting the investment and development of various clinical programs for our leading innovative products globally	566.4	**N/A**
Funding potential product licensing and possible mergers	696.5	**N/A**
Further expanding the production capacity	–	**N/A**
Working capital and other general corporate use	–	**N/A**
	1,262.9	**2,630.4**

Note: The use of unutilised proceeds will be dependent upon actual business needs and therefore an exact breakdown is not currently available.

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 36 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.

Report of Directors

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
29 March 2022

Directors and Senior Management

The Board consists of the following Directors:

Directors

Executive Directors

Dr. De-Chao Michael Yu ("Dr. Yu"), aged 58, 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) and 1L Nsq NSCLC.

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) since February 2021, 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 63, is an executive Director, the chief financial officer of the Company and a member of the Strategy Committee. Mr. Ede joined the Group on 5 June 2017 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.

Directors and Senior Management

Non-executive Director

Mr. Shuyun Chen ("Mr. Chen"), aged 47, also known as Nick Chen, was a non-executive Director, a member of each of the Audit Committee and the Strategy Committee until his resignation on 25 February 2022. Mr. Chen was appointed to the Board of the Company on 31 January 2018 and is responsible for providing professional opinion and judgment to the Board. Mr. Chen is a partner and Head of China of Capital Group Private Markets ("**CGPM**"), part of the Capital Group Companies ("**Capital Group**"), one of the world's largest and most successful investment organizations. Mr. Chen has invested in leading Chinese companies such as Innovent Biologics, Didi, Jinxin Maternity, New China Life, among others. He is also a director of Jinxin Hospital Management Group Limited.

Prior to joining Capital Group in 2005, Mr. Chen worked at J.P. Morgan & Chase in investment banking roles in New York and Hong Kong from 1999, leaving as Vice President of the Asia mergers and acquisitions group. Before joining J.P. Morgan, he worked at Willis Towers Watson in the U.S. as a management consultant associate.

Mr. Chen received his Bachelor of Arts degree (summa cum laude) in Business and Economics from Franklin & Marshall College in the U.S. in May 1997.

Independent Non-executive Directors

Dr. Charles Leland Cooney ("Dr. Cooney"), aged 77, is an independent non-executive Director, a member of each of the Nomination Committee, Audit Committee and the Strategy Committee of the Company. Dr. Cooney was appointed to the Board of the Company 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 GreenLight Bioscience (a company listed on the NASDAQ with the symbol GRNA) and also on the boards of private companies such as Hovione and LayerBio, and is an adviser to the Singapore MIT Alliance for Research and Technology (SMART) Innovation Center.

Dr. Cooney previously 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 47, is an independent non-executive Director, the chairman of each of the Audit Committee and Remuneration Committee. Ms. Hsu was appointed to the Board 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 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

Directors and Senior Management

Ms. Hsu has held directorships in the following listed and private companies outside of the Group during the past three years:

- Corelle Brands as a non-executive director;
- ACEA Bioscience as a non-executive director; and
- Weconex as a non-executive director.

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 76, 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 researcher of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, since 1990, served as its director between 1996 and 2004, and 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) since from 2007 to 2020; and chairman of the board of supervisors, CPA (中國藥學會監事會) from 2017 to 2021, and the honourable chairman of the Chinese Pharmaceutical Association (中國藥學會) 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 editors in chief of Progress in Pharmaceutical Sciences (《藥學進展》), Chinese Journal of New Drugs and Clinical Remedies (《中國新藥與臨床雜誌》) and other publications since 2015; and
- as executive member and deputy director of the National Pharmacopoeia Commission of China (國家藥典委員會) since 2017.

Dr. Chen served as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company 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, 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 an independent non-executive director of InnoCare Pharma Limited (a company listed on the Hong Kong 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 Materia Medica, Chinese Academy of Sciences in February 1982 and February 1985, respectively.

Directors and Senior Management

Senior Management

Dr. De-Chao Michael Yu, ("Dr. Yu"), aged 58, is an executive Director, the Chairman of the Board, President 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 63, 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 33, was appointed as our joint company secretary on 4 June 2018. She joined the Group in October 2015 as Executive Assistant.

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

Ms. Lok Yee Chan ("Ms. Chan"), aged 32, 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 eight 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 (now known as The Hong Kong Chartered Governance Institute) 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 change in information of the Directors are set out below:

1. Mr. Shuyun Chen resigned as non-executive Director and a member of the Audit Committee and Strategy Committee with effect on 25 February 2022; and

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

Save as disclosed herein, 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 is pleased to present the corporate governance report for the Company for the year ended 31 December 2021.

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 2021, the Company has complied with all applicable code provisions set out in the CG Code except for the following deviation:

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman of the Board and the chief executive should be segregated and should not be performed by the same individual. The Company does not have separate chairman of the Board and chief executive officer, and Dr. De-Chao Michael Yu, 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 CG 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 2021. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the year ended 31 December 2021.

Board of Directors

Board Composition

As at the Latest Practicable Date, the Board comprises two executive Directors and three 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

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 62 to 65 of this annual report.

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

Corporate Governance Report

Chairman and Chief Executive

Code provision 2.1 of the CG 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 A.1.1 of the CG 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 2021						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors:							
Dr. De-Chao Michael Yu	7/7	N/A	1/1	1/1	2/2	1/1	1/1
Mr. Ronald Hao Xi Ede	7/7	N/A	N/A	N/A	2/2	1/1	1/1
Non-executive Director:							
Mr. Shuyun Chen[1]	7/7	2/2	N/A	N/A	2/2	1/1	1/1
Independent Non-executive Directors:							
Dr. Charles Leland Cooney[2]	7/7	N/A	N/A	1/1	2/2	1/1	1/1
Ms. Joyce I-Yin Hsu	7/7	2/2	1/1	N/A	N/A	1/1	1/1
Dr. Kaixian Chen	7/7	2/2	1/1	1/1	N/A	1/1	1/1

Note:

(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.

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.

Corporate Governance Report

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, non-executive Director 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 or re-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, Dr. De-Chao Michael Yu and Ms. Joyce I-Yin Hsu 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.

Corporate Governance Report

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 CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises of three non-executive Directors (including independent non-executive Directors), namely Ms. Joyce I-Yin Hsu, Mr. Shuyun Chen and Dr. Kaixian Chen. Ms. Joyce Hsu is the chairman of the Audit Committee. Mr. Shuyun Chen resigned as the non-executive Director and member of the Audit Committee with effect on 25 February 2022 and Dr. Charles Leland Cooney was appointed as the member of the Audit Committee on 25 February 2022.

The primary duties of the Audit Committee are to review and supervise the financial reporting, risk management and internal controls system 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 internal audit function and discussed with the management and internal audit on their findings; and
- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company

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

Corporate Governance Report

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG 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 chairman 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 meetings during the Reporting Period. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- 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; and
- reviewed and made recommendations to the Board on the Company's Restricted Shares and option grant plan to the key talents in 2021.

Details of the Directors' remuneration for the year ended 31 December 2021 are set out in Note 10 to the consolidated financial statements.

Corporate Governance Report

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 CG 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 meetings during the Reporting Period. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assessed the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the re-election of Directors; and
- reviewed the structure, size and composition of the Board.

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, one non-executive Director, namely Mr. Shuyun Chen and one independent non-executive Directors namely Dr. Charles Leland Cooney. 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.

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 2 meetings 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 business development strategy and provide strategies guidance.

Corporate Governance Report

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") in accordance with the CG 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 has not set any measurable objectives.

The Nomination Committee will review the Diversity Policy, as and when appropriate, to ensure its effectiveness.

Director Nomination Policy

On 6 December 2018, the Company adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the CG 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 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.

Corporate Governance Report

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 D.3.1 of the CG 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 CG 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 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 CG 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 2021.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 De. De-Chao Michael Yu, Mr. Ronald Hao Xi Ede, Mr. Shuyun Chen, Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen, attended the training/seminar/conference arranged by the Company or other external parties or reading relevant materials.

Corporate Governance Report

Auditors' Responsibility and Remuneration

The Company appointed Deloitte as the external auditor for the year ended 31 December 2021. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 77 to 82.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended 31 December 2021 are set out in the table below:

Services rendered for the Company	Fees paid and payable RMB'000	Total Fees paid and payable RMB'000
Audit services:		
Annual audit services	**3,050**	**3,050**
Non-audit services:		
Tax advisory services	**583**	**583**
Review of interim results	**1,100**	**1,100**
Other assurance services	**500**	**500**
Consulting services	**2,750**	**2,750**
Total	**7,983**	**7,983**

Risk Management and Internal Controls

The Board acknowledges its 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 a review of the effectiveness of the risk management internal control system of the Company and considered the system effective and adequate.

The Group has established an internal audit department and has designated the relevant personnel who will be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal control team of any risks or internal control measures.

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.

Corporate Governance Report

In the ordinary course of the Group's business, sensitive data is collected and stored, including, among other things, identity information about our students and 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's 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.

Corporate Governance Report

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

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.

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 endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

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.

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.

Independent Auditor's Report

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 83 to 168, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

Independent Auditor's Report

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 RMB2,478 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, of which, RMB371 million R&D expenses were accrued as at 31 December 2021 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 2021. 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 payable to Outsourced Service Providers; • For the service fees payable 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 payable 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.

Independent Auditor's Report

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 RMB968 million as at 31 December 2021. As disclosed in notes 4 and 35 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 2021, 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 2021, 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 35 to the consolidated financial statements.

Independent Auditor's Report

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 directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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.

Independent Auditor's Report

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.

Independent Auditor's Report

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
29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	5	**4,269,729**	3,843,819
Cost of sales		**(573,040)**	(387,761)
Gross profit		**3,696,689**	3,456,058
Other income	6	**196,881**	246,787
Other gains and losses	7	**(72,784)**	(479,965)
Research and development expenses		**(2,478,067)**	(1,851,453)
Administrative and other expenses		**(884,027)**	(436,872)
Selling and marketing expenses		**(2,728,166)**	(1,340,861)
Royalties and other related payments		**(719,077)**	(384,057)
Finance costs	8	**(62,464)**	(68,350)
Loss before tax	9	**(3,051,015)**	(858,713)
Income tax expense	12	**(87,038)**	(139,708)
Loss for the year		**(3,138,053)**	(998,421)
Other comprehensive income (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 ("FVTOCI")		**(120,009)**	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**1,995**	–
Other comprehensive income for the year, net of income tax		**(118,014)**	–
Total comprehensive expense for the year		**(3,256,067)**	(998,421)
Loss per share	13		
– Basic (RMB Yuan)		**(2.16)**	(0.74)
– Diluted (RMB Yuan)		**(2.16)**	(0.74)

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**2,692,986**	1,584,079
Right-of-use assets	15	**396,862**	327,124
Intangible assets	16	**772,194**	32,625
Equity instruments at FVTOCI	18	**203,446**	–
Prepayments for acquisition of long-term assets		**285,909**	272,278
Other receivables and tax recoverables	21	**127,658**	139,267
Other financial assets	22	**213,809**	12,942
		4,692,864	2,368,315
Current assets			
Inventories	19	**1,347,240**	705,658
Trade receivables	20	**968,405**	475,378
Prepayments and other receivables	21	**213,261**	164,515
Other financial assets	22	**644,848**	357,297
Bank balances and cash	23	**8,377,095**	7,763,833
		11,550,849	9,466,681
Current liabilities			
Trade payables	24	**195,050**	120,620
Other payables and accrued expenses	25	**2,051,624**	973,634
Contract liabilities	26	**355,506**	120,440
Borrowings	27	**365,000**	255,000
Lease liabilities	28	**22,273**	16,157
Tax payables		**60,594**	–
		3,050,047	1,485,851
Net current assets		**8,500,802**	7,980,830
Total assets less current liabilities		**13,193,666**	10,349,145

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Contract liabilities	26	**458,507**	588,141
Borrowings	27	**2,023,261**	925,178
Lease liabilities	28	**86,392**	10,233
Government grants	29	**294,767**	45,823
Other financial liabilities		**342**	–
		2,863,269	1,569,375
Net assets		**10,330,397**	8,779,770
Capital and reserves			
Share capital	30	**101**	97
Reserves		**10,330,296**	8,779,673
Total equity		**10,330,397**	8,779,770

The consolidated financial statements on pages 83 to 168 were approved and authorised for issue by the board of directors on 29 March 2022 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 2021

	Share capital RMB'000	Share premium RMB'000	FVTOCI reserve RMB'000	Other reserve RMB'000 (note)	Translation reserve RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	87	13,885,262	–	(313,652)	–	168,002	(8,983,568)	4,756,131
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(998,421)	(998,421)
Issue of ordinary shares (note 30a)	9	4,656,691	–	–	–	–	–	4,656,700
Transaction costs attributable to issue of new shares	–	(42,803)	–	–	–	–	–	(42,803)
Recognition of equity-settled share-based payments	–	–	–	–	–	402,500	–	402,500
Vesting of restricted shares	–	31,946	–	–	–	(31,946)	–	–
Exercise of share options (note 30b)	1	10,155	–	–	–	(4,493)	–	5,663
At 31 December 2020	**97**	**18,541,251**	**-**	**(313,652)**	**-**	**534,063**	**(9,981,989)**	**8,779,770**
Loss and total comprehensive expense for the year	**-**	**-**	**(120,009)**	**-**	**1,995**	**-**	**(3,138,053)**	**(3,256,067)**
Issue of ordinary shares (note 30c)	**3**	**3,940,088**	**-**	**-**	**-**	**-**	**-**	**3,940,091**
Transaction costs attributable to issue of new shares	**-**	**(54,696)**	**-**	**-**	**-**	**-**	**-**	**(54,696)**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**-**	**910,870**	**-**	**910,870**
Vesting of restricted shares	**-**	**32,252**	**-**	**-**	**-**	**(32,252)**	**-**	**-**
Exercise of share options (note 30d)	**1**	**34,763**	**-**	**-**	**-**	**(24,335)**	**-**	**10,429**
At 31 December 2021	**101**	**22,493,658**	**(120,009)**	**(313,652)**	**1,995**	**1,388,346**	**(13,120,042)**	**10,330,397**

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 Innovent Biologics, Inc. (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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(3,051,015)**	(858,713)
Adjustments for:		
Loss on disposal of property, plant and equipment	**709**	1,200
Depreciation of property, plant and equipment	**165,400**	67,983
Amortisation of intangible assets	**2,577**	–
Depreciation of right-of-use assets	**36,770**	17,644
Net foreign exchange losses	**201,137**	571,781
Gain from changes in fair value of other financial assets (financial assets mandatorily measured at fair value through profit or loss ("FVTPL"))	**(125,017)**	(30,976)
Share-based payment expenses	**910,870**	402,500
Research and development expenses paid by partners of joint operations	**46,081**	45,367
Government grants income related to asset	**(4,679)**	(2,958)
Bank interest income	**(151,755)**	(116,102)
Interest on bank borrowings	**59,259**	33,344
Interest arising from a contract which contains significant financing component	**–**	33,399
Interest on lease liabilities	**3,205**	1,607
Gain from change in fair value of other financial liability	**(1,658)**	–
Operating cash flows before movements in working capital	**(1,908,116)**	166,076
Decrease in contract assets	**–**	2,185
Increase in inventories	**(641,582)**	(311,427)
Increase in trade receivables	**(493,027)**	(227,524)
(Increase) decrease in prepayments and other receivables	**(38,604)**	94,001
Increase in trade payables	**74,430**	36,345
Increase in other payables and accrued expenses	**903,068**	17,242
Increase in contract liabilities	**105,432**	51,669
Increase in government grant related to income	**–**	3,453
Cash used in operations	**(1,998,399)**	(167,980)
Income tax paid	**(26,444)**	(139,708)
NET CASH USED IN OPERATING ACTIVITIES	**(2,024,843)**	(307,688)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES		
Interest received	**151,640**	121,299
Placement of term deposits with maturity dates over three months	**(8,091,196)**	(7,126,249)
Placement of pledged term deposits	**(1,001,415)**	(73,000)
Purchase of property, plant and equipment	**(1,065,634)**	(489,022)
Purchase of financial assets at FVTPL	**(1,923,237)**	(4,518,730)
Purchase of equity instruments at fair value through other comprehensive income	**(323,455)**	–
Upfront payments for right-of-use assets/leasehold land	**–**	(250,131)
Purchase of intangible assets	**(781,882)**	(32,625)
Release of term deposits with maturity dates over three months	**8,562,579**	2,518,430
Proceeds on release of financial assets at FVTPL	**1,558,901**	4,642,246
Proceeds from disposal of property plant and equipment	**98**	38
Receipt of government grants related to property, plant and equipment	**253,623**	28,810
Repayment to a partner of joint operations	**(38,170)**	(5,654)
NET CASH USED IN INVESTING ACTIVITIES	**(2,698,148)**	(5,184,588)
FINANCING ACTIVITIES		
Interest paid	**(78,826)**	(45,829)
New borrowings raised	**1,463,083**	372,178
Repayment of borrowings	**(255,000)**	(17,000)
Repayment of lease liabilities	**(23,720)**	(16,788)
Payment of transaction costs attributable to issuance of new shares	**(54,696)**	(42,803)
Issuance of ordinary shares	**3,940,091**	4,656,700
Proceeds from exercise of share options	**10,429**	5,663
Proceeds from other partners of investment fund consolidated	**2,000**	–
NET CASH FROM FINANCING ACTIVITIES	**5,003,361**	4,912,121
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**280,370**	(580,155)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,276,178**	2,425,806
Effects of foreign exchange rate changes	**(197,140)**	(569,473)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (note 23)	**1,359,408**	1,276,178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS16 Covid-19-Related Rent Concessions beyond 30 June 2021.

The Group also applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRSs and the Committee's agenda decision 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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.

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 annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB110,887,000 and RMB108,665,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.1 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

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.

Right-of-use assets

The cost of right-of-use asset 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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.

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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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.

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 asset.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Government grants (Continued)

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".

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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 relevant assets and related 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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Research and development expenditure (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

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

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.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Provisions (Continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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.

(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 retained profits.

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)

3.2 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 expected credit loss ("**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.

(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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 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 (Continued)

- 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.

(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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets (Continued)

(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.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 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 (Continued)

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.

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 retained profits.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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 IIFRS 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 35.

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 2021, the carrying amount of property, plant and equipment is RMB2,693 million (2020: RMB1,584 million) which is disclosed in note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 during the commercialisation stage of the respective products. During the year ended 31 December 2021, licence fee income related to commercialisation licence of RMB259,789,000 (2020: RMB79,036,000) 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.

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:

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
A point in time		
Sales of pharmaceutical products	**4,001,077**	2,367,531
Licence fee income	**8,863**	1,397,077
	4,009,940	3,764,608
Overtime		
Research and development service fee income	**–**	175
Licence fee income	**259,789**	79,036
	259,789	79,211
	4,269,729	3,843,819

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:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021, 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 2021, the development milestone payment the Group may receive from the licence provided to customers up to an aggregate amount of RMB3,982 million (2020: 4,305 million) (excluding sales-based royalty and sales milestone arrangement in accordance with relevant contracts).

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.

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

	2021 RMB'000	2020 RMB'000
The PRC	**3,967,517**	2,446,742
United States of America ("USA")	**261,639**	1,397,077
Republic of France ("France")	**33,969**	–
Indonesia	**6,604**	–
	4,269,729	3,843,819

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	2021 RMB'000	2020 RMB'000
Customer A (Note)	**3,250,347**	3,492,510

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

	2021 RMB'000	2020 RMB'000
Bank interest income	**151,755**	116,102
Government grants income (note)	**45,126**	130,685
	196,881	246,787

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

	2021 RMB'000	2020 RMB'000
Loss on disposal of property, plant and equipment	**(709)**	(1,200)
Gain from changes in fair value of other financial assets (financial assets measured at FVTPL) (note 22)	**125,017**	30,976
Gain from changes in fair value of other financial liability	**1,658**	–
Net foreign exchange losses	**(198,750)**	(509,741)
	(72,784)	(479,965)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	**76,937**	44,612
Interest arising from a contract which contains significant financing component	**–**	33,399
Interest on lease liabilities	**3,205**	1,607
Total borrowing costs	**80,142**	79,618
Less: amounts capitalised in the cost of qualifying assets (Note)	**(17,678)**	(11,268)
	62,464	68,350

Note: Borrowing costs capitalised during the year arose on special loans.

9. LOSS BEFORE TAX

	2021 RMB'000	2020 RMB'000
Loss before tax has been arrived at after charging:		
Directors' emoluments (note 10)	**149,448**	119,512
Other staffs costs:		
Salaries and other allowances	**1,106,862**	652,883
Performance related bonus	**516,362**	194,374
Retirement benefit scheme contributions	**227,837**	85,146
Share-based payment expenses	**794,163**	308,345
Total staff costs	**2,794,672**	1,360,260
Depreciation of property, plant and equipment	**165,400**	103,617
Amortisation of intangible assets	**2,577**	–
Depreciation of right-of-use assets	**36,770**	17,644
Capitalised in inventories	**(79,702)**	(35,634)
	125,045	85,627
Auditors' remuneration		
Audit-related service	**3,050**	2,900
Non-audit related service	**5,662**	2,630
Cost of inventories recognised as an expense	**522,492**	404,312
Write-down of inventory	**1,699**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. 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 2021

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments expenses RMB'000	Total RMB'000
Executive directors:						
Yu, De-Chao Michael ("Dr. Yu")	–	2,879	23,342	–	101,738	127,959
Ede, Hao Xi Ronald	–	2,240	3,158	–	14,969	20,367
	–	5,119	26,500	–	116,707	148,326
Non-executive director:						
Chen, Shuyun	–	–	–	–	–	–
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	–	116,707	149,448

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For the year ended 31 December 2021

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

Year ended 31 December 2020

	Fees RMB'000	Salaries and other allowances RMB'000	Performance related bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based payments expenses RMB'000	Total RMB'000
Executive directors:						
Dr. Yu	–	2,826	14,902	–	86,846	104,574
Ede, Hao Xi Ronald	–	2,415	4,092	–	7,309	13,816
	–	5,241	18,994	–	94,155	118,390
Non-executive director:						
Chen, Shuyun	–	–	–	–	–	–
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	5,241	18,994	–	94,155	119,512

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 were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid individuals of the Group during the year included two directors (2020: two directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2020: three) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries and other allowances	**7,656**	7,652
Performance related bonus	**3,879**	2,673
Share-based payments expenses	**30,877**	13,846
Retirement benefits scheme	**278**	209
	42,690	24,380

The emoluments of these employees included two directors of the Company (2020: two directors) during the reporting period were fell within the following bands:

	Number of individuals Year ended 31 December	
	2021	2020
HK$4,500,001 to HK$5,000,000	**–**	2
HK$7,000,001 to HK$7,500,000	**1**	–
HK$15,500,001 to HK$16,000,000	**–**	1
HK$18,000,001 to HK$18,500,000	**–**	1
HK$19,000,001 to HK$19,500,000	**1**	–
HK$24,500,001 to HK$25,000,000	**2**	–
HK$117,500,001 to HK$118,000,000	**–**	1
HK$154,000,001 to HK$154,500,000	**1**	–
	5	5

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the directors of the Company nor the five highest paid individuals (including two directors of the Company) and employees as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years ended 31 December 2021 and 2020, 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.

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11. DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

12. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax		
Income tax	**60,747**	–
Withholding tax	**26,291**	139,708
	87,038	139,708

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.

In addition, Innovent Suzhou is subject to withholding tax on licence fee income received from USA based customers amounting to RMB25,840,400 (2020: RMB139,708,000) for the year ended 31 December 2021. Besides, Innovent HK has accrued RMB451,000 (2020: RMB:0) withholding tax on license fee income.

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For the year ended 31 December 2021

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:

	2021 RMB'000	2020 RMB'000
Loss before tax	**(3,051,015)**	(858,713)
Tax charge at the PRC EIT rate of 25%	**(762,754)**	(214,678)
Tax effect of expenses not deductible for tax purpose	**925,816**	386,129
Effect of research and development expenses that are additionally deducted (note)	**(401,039)**	(272,806)
Tax effect of tax losses not recognised	**140,846**	46,349
Tax effect of deductible temporary differences not recognised	**159,122**	55,006
Withholding tax on license fee income	**26,291**	139,708
Utilisation of tax losses not recognised in prior years	**(1,244)**	–
Tax charge for the year	**87,038**	139,708

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% (2020: 175%) on qualified research and development expenditures for the year ended 31 December 2021 and 2020.

* English name for identification only

As at 31 December 2021, the Group has unused tax losses of RMB5,509 million (2020: RMB4,986 million) available for offset against future profits. Among the unused tax losses, RMB5,385 million (2020: RMB4,968 million) will be expired between 2023 to 2031 (2020: 2022 to 2030). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

	2021 RMB'000	2020 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**	162,131
2031	**458,094**	–
Indefinite	**123,574**	18,289
	5,508,770	4,986,092

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12. INCOME TAX EXPENSE (Continued)

As at 31 December 2021, the Group has deductible temporary differences mainly related to government grants income and contract liabilities of RMB1,422 million (2020: RMB786 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	
	2021	2020
Loss (RMB'000)		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(3,138,053)**	(998,421)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,455,605,751**	1,357,011,757

The computation of basic loss per share for the year ended 31 December 2021 and 2020 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 31.

(b) Diluted

31 December 2021 and 2020

The Company had two categories of potential ordinary shares 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 31. As the Group incurred losses for the years ended 31 December 2021 and 2020, the potential 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 2021 and 2020 is the same as basic loss per share.

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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 2020	389,725	53,185	488,033	56,744	6,705	602,489	1,596,881
Additions	–	–	–	–	–	344,146	344,146
Transfer	–	23,575	606,327	29,072	–	(658,974)	–
Disposal	–	–	(3,022)	(641)	–	–	(3,663)
At 31 December 2020	**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**
DEPRECIATION							
At 1 January 2020	33,585	26,008	168,880	19,629	3,991	–	252,093
Provided for the year	8,397	9,587	66,869	17,753	1,011	–	103,617
Disposal	–	–	(2,250)	(175)	–	–	(2,425)
At 31 December 2020	**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**
CARRYING VALUE							
At 31 December 2021	**339,346**	**45,758**	**964,813**	**48,509**	**1,411**	**1,293,149**	**2,692,986**
At 31 December 2020	347,743	41,165	857,839	47,968	1,703	287,661	1,584,079

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021, the Group has pledged property, plant and equipment with a net book value of RMB489 million (2020: RMB528 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 2021			
Carrying amount	285,975	110,887	396,862
As at 31 December 2020			
Carrying amount	301,725	25,399	327,124
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
For the year ended 31 December 2020			
Additions	250,131	3,121	253,252
Depreciation charge	(1,248)	(16,396)	(17,644)
	248,883	(13,275)	235,608

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15. RIGHT-OF-USE ASSETS (Continued)

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**34**	2,120
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**1,318**	1,287
Total cash outflow for leases	**28,276**	304,560

For the years ended 31 December 2021 and 2020, 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 2021, 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 RMB108,665,000 are recognised with related right-of-use assets of RMB110,887,000 as at 31 December 2021 (2020: lease liabilities of RMB26,390,000and related right-of-use assets of RMB25,399,000). 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 2021, the Group has pledged right-of-use assets with a net book value of RMB286 million (2020: RMB52 million), to secure borrowings as disclosed in the note 27.

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16. INTANGIBLE ASSETS

	Development cost RMB'000	Software RMB'000	Total RMB'000
As at 31 December 2019	–	–	–
Addition	32,625	–	32,625
Amortisation	–	–	–
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

During the year ended 31 December 2021, the Group capitalised development cost amounted to RMB719,821,000, in respect of the licenses for a few particular molecules with the goal of developing and commercialising them as pharmaceutical products, for development cost. Such intangible assets have finite useful lives and will start to amortise after available for use.

As for software, it is measured initially at cost and subsequent amortised over estimated useful life of 10 years.

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17. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal operating subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital 31 December 2021	31 December 2020	Shareholding/equity interests attributable to the Company as at 31 December 2021	31 December 2020	Principal activities
Directly held:						
Innovent HK	Hong Kong 17 May 2011	Issued capital of HK$10,000 and paid-up capital of HK$10,000	Issued capital of HK$10,000 and paid-up capital of HK$10,000	**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	–	**100%**	–	Intermediate holding company
Innovent Cells Inc.	Cayman Islands 30April 2021	Registered capital of USD50,000 and paid-up capital of nil	–	**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

Notes to the Consolidated Financial Statements

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17. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital 31 December 2021	Issued and fully paid share capital/registered capital 31 December 2020	Shareholding/equity interests attributable to the Company as at **31 December 2021**	Shareholding/equity interests attributable to the Company as at 31 December 2020	Principal activities
Indirectly held: (Continued)						
Innovent Biotechnology Co., Ltd.	PRC 20 September 2019	Registered capital of USD100,000,000 and paid-up capital of nil	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 USD30,000,000	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 RMB10,000,000	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 RMB3,700,000	–	**100%**	–	Capital service
蘇州信禾國清創業投資合伙企業(有限合伙) Suzhou Xinhe Guoqing venture capital partnership (limited partnership)*	PRC 6 August 2021	Paid-up capital of RMB4,000,000	–	**50%**	–	Capital service

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17. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital 31 December 2021	31 December 2020	Shareholding/equity interests attributable to the Company as at 31 December 2021	31 December 2020	Principal activities
Indirectly held: (Continued)						
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 RMB1,000,000	–	**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 nil and paid-up capital of nil	Issued capital of nil and paid-up capital of nil	**100%**	100%	Research and development
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	–	**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	–	**100%**	–	Research and development

None of the subsidiaries had issued any debt securities at the end of both years.

* English name for identification only

Notes to the Consolidated Financial Statements

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18. EQUITY INSTRUMENTS AT FVTOCI

	2021 RMB'000	2020 RMB'000
Listed		
– Equity securities (note)	**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 RMB120,009,191 is recognised during the year ended 31 December 2021.

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**806,087**	472,155
Work in progress	**382,728**	169,640
Finished goods	**154,825**	63,863
Goods in transit	**3,600**	–
	1,347,240	705,658

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20. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers	**968,405**	475,378

As at 1 January 2020, trade receivables from contracts with customers amounting to RMB247,853,966.

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.

	2021 RMB'000	2020 RMB'000
0 – 60 days	**968,405**	475,378

As at 31 December 2021 and 2020, none of the Group's trade receivables are past due as at reporting date.

21. PREPAYMENTS, OTHER RECEIVABLES AND TAX RECOVERABLES

	2021 RMB'000	2020 RMB'000
Prepayments	**40,679**	46,900
Other receivables	**139,577**	97,205
Prepaid bonus (note a)	**131,242**	86,012
Other loans (note b)	**9,139**	9,506
Other tax recoverables	**13,858**	58,667
Rental deposits	**6,424**	5,492
	340,919	303,782
Analysed as:		
Non-current	**127,658**	139,267
Current	**213,261**	164,515
	340,919	303,782

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21. PREPAYMENTS, OTHER RECEIVABLES AND TAX RECOVERABLES (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 and 21 June 2021, the Company granted bonuses in the total amount of RMB65.5 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 and 21 June 2021 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 2021, RMB20.3 million (2020: RMB12.3 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 RMB25.4 million (2020: RMB12.3 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 RMB7.5 million (year ended 31 December 2020: RMB8.1 million) will be repaid within a year and classified as current receivables while the remaining RMB1.5 million (year ended 31 December 2020: RMB1.4 million) will be repaid after twelve months and classified as non-current receivables.

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22. OTHER FINANCIAL ASSETS

	Current		Non-current	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Wealth management plans (note a)	**638,213**	242,944	**–**	–
Structured deposits (note b)	**–**	114,353	**–**	–
Other investments at FVTPL (note c)	**–**	–	**213,809**	12,942
Derivative financial instruments (not under hedge accounting) (note d)	**6,635**	–	**–**	–
	644,848	357,297	**213,809**	12,942

Notes:

(a) 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% (2020: 2.7% to 3.5%) per annum as at 31 December 2021. All investments had maturity date within one year and classified as financial assets measured at FVTPL. Gain from changes in fair value of the wealth management plans amounting to RMB3,174,000 (2020: RMB24,615,000) is recognised during the year ended 31 December 2021.

(b) The Group invested in structured deposits managed by a financial institution. The principal is guaranteed by the relevant financial institutions with yield ranging from 2.28 % to 5.62% (2020: 2.28% to 5.62%) per annum as at 31 December 2021. The relevant financial products will be settled either in investment currency of RMB or in alternative currency USD at predefined conversion rate depending on the USD/RMB exchange rate at expiry of the contract. All investments have settled in the year ended 31 December 2021.

(c) 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 RMB39,912,000 is recognised during the year ended 31 December 2021 (2020: nil). Details of fair value measurements are set out in note 35.

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. Gain from changes in fair value amounting to RMB34,579,000 is recognised during the year ended 31 December 2021. Details of fair value measurements are set out in note 35.

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. No change in fair value is recognised during the year ended 31 December 2021. Details of fair value measurements are set out in note 35.

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 gain on fair value change amounting to RMB21,758,000 is recognised during the year ended 31 December 2021.

Details of the above fair value instruments are set out in note 35.

(d) 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 current period.

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For the year ended 31 December 2021

23. BANK BALANCES AND CASH

	2021 RMB'000	2020 RMB'000
Cash at bank	**785,943**	1,080,415
Cash on hand	**633**	91
Term deposits with maturity date less than three months	**572,832**	195,672
Cash and cash equivalents	**1,359,408**	1,276,178
Term deposits with maturity date over three months (note)	**5,943,272**	6,414,655
Pledged bank deposits (note 27)	**1,074,415**	73,000
	8,377,095	7,763,833

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:

	2021	2020
Term deposits	**0.15% – 3.99%**	0.95% – 4.18%
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:

	2021 RMB'000	2020 RMB'000
USD	**7,043,938**	7,311,882
HK$	**115,294**	59,153

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For the year ended 31 December 2021

24. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**195,050**	120,620

The average credit period on trade purchases is 0 to 60 days. Ageing analysis of the Group's trade payables based on the invoice dates at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
0 – 30 days	**132,269**	103,016
31 – 60 days	**49,865**	10,457
Over 60 days	**12,916**	7,147
	195,050	120,620

25. OTHER PAYABLES AND ACCRUED EXPENSES

	2021 RMB'000	2020 RMB'000
Accrued expenses		
– Research and development expenses (note a)	**370,954**	287,591
– Royalties and other related payments	**365,381**	196,334
– Selling and marketing expenses	**64,632**	26,051
– Legal and professional fee	**22,517**	6,355
– Employee reimbursement	**114,142**	96,201
– Compensation to distributors for price reduction (note b)	**399,417**	–
– Others	**18,315**	37,093
	1,355,358	649,625
Amounts due to partners of joint operations (note c)	**59,411**	51,499
Interest payables	**2,944**	1,628
Other payables	**63,110**	16,353
Other tax payable	**32,182**	5,685
Payables in respect of acquisition of property, plant and equipment	**203,714**	85,835
Payables in respect of acquisition of intangible assets	**47,818**	–
Staff payroll payables	**287,087**	163,009
	2,051,624	973,634

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For the year ended 31 December 2021

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 one product of the Group. The amount refers to the potential compensation to distributors for price deduction according to industry common practice.

c. The amount is unsecured, non-interest bearing and repayable on demand.

26. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Amounts received in advance for licence to commercialise	**814,013**	708,581
Analysed by		
Current	**355,506**	120,440
Non-current	**458,507**	588,141
	814,013	708,581

As at 1 January 2020, contract liabilities amounted to RMB623,513,000.

During the year ended 31 December 2021, the Group received collaboration fee and milestone payment of RMB365.2 million (2020: RMB130.7 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 RMB259.8 million was recognised during the year ended 31 December 2021 (2020: RMB79.0 million). License fee income amounting to RMB172.2 million recognized during the year ended 31 December 2021(2020: RMB41.7 million) was included in the contract liability balance at the beginning of the year.

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27. BORROWINGS

	2021 RMB'000	2020 RMB'000
Fixed-rate borrowings – at amortised cost	**2,388,261**	1,180,178
Analysed as:		
Secured	**1,411,126**	690,000
Unsecured*	**977,135**	490,178
	2,388,261	1,180,178
The carrying amounts of the above borrowings are repayable**:		
Within one year	**365,000**	255,000
Within a period of more than one year but not exceeding two years	**638,000**	95,000
Within a period of more than two years but not exceeding five years	**966,422**	743,000
Within a period of more than five years	**418,839**	87,178
	2,388,261	1,180,178
Less: Amounts due within one year shown under current liabilities	**(365,000)**	(255,000)
Amounts shown under non-current liabilities	**2,023,261**	925,178

* In accordance with the loan agreements, for borrowings with carrying amount of RMB1,180 million, the Group is required to pledge qualified assets within 5 years since 27 December 2017 or repay of the loan in advance. The Group has yet provided the related pledge up to the end of 2021 but plans to do so on or before 27 December 2022.

** 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:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**3.25% – 4.90%**	3.25% – 4.90%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27. BORROWINGS (Continued)

The Group pledged the following assets to secure credit facilities granted to the Group:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment (note 14)	**488,517**	527,514
Right of use assets – leasehold land (note 15)	**285,975**	51,593
Pledged bank deposits (note 23)	**1,074,415**	73,000
Other financial assets (note 22)	**–**	60,000
	1,848,907	712,107

28. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**22,273**	16,157
Within a period of more than one year but not more than two years	**12,883**	10,233
Within a period of more than two years but not more than five years	**34,045**	–
Within a period of more than five years	**39,464**	–
	108,665	26,390
Less: Amount due for settlement with 12 months shown under current liabilities	**(22,273)**	(16,157)
Amount due for settlement after 12 months shown under non-current liabilities	**86,392**	10,233

The weighted average incremental borrowing rates applied to lease liabilities range from 4.35% to 4.90% (2020: from 4.35% to 4.75%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities set out below:

	2021 RMB'000	2020 RMB'000
GBP	**859**	823
USD	**39,156**	466
HK$	**32**	–

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29. GOVERNMENT GRANTS

	2021 RMB'000	2020 RMB'000
Subsidies related to property, plant and equipment (note a)	**291,314**	42,370
Other subsidies (note b)	**3,453**	3,453
	294,767	45,823

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. SHARE CAPITAL

	Number of ordinary shares	Amount USD'000
Authorised		
At 1 January 2020, 31 December 2020 and 2021	**5,000,000,000**	**50**

	Number of shares	Amount USD'000	Equivalent amount of ordinary shares RMB'000
Issues and fully paid			
At 1 January 2020	1,262,562,210	12	87
Issuance of ordinary shares (note a)	134,200,000	1	9
Exercise of share options (note b)	6,013,787	–	1
At 31 December 2020	**1,402,775,997**	**13**	**97**
Issuance of ordinary shares (note c)	**52,000,000**	**1**	**3**
Exercise of share options (note d)	**7,332,667**	**–**	**1**
At 31 December 2021	**1,462,108,664**	**14**	**101**

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30. SHARE CAPITAL (Continued)

Notes:

(a) On 13 February 2020, the Company and Morgan Stanley & Co. International plc (referred to as the "Sole Placing Agent") entered into a placing agreement pursuant to which an aggregate of 78,000,000 ordinary shares issued by the Company have been placed by the Sole Placing Agent on 20 February 2020 at HK$30.20 per share. The net proceeds of this placing is HK$2,330.61 million (equivalent to RMB2,099.7 million) (after deducting transaction cost of HK$24.99 million (equivalent to RMB22.52 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.

On 23 July 2020, another placing agreement was entered into between the Company and the Sole Placing Agent pursuant to which an aggregate of 56,200,000 ordinary shares issued by the Company have been placed by Sole Placing Agent on 30 July 2020 at HK$50.0 per share. The net proceeds of this placing is HK$2,787.52 million (equivalent to RMB2,514.2 million) (after deducting transaction cost of HK$22.48 million (equivalent to RMB20.28 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 2020, a total of 6,013,787 ordinary shares were issued to the Group's employees as the result of exercise of share options after vesting period under the Pre-IPO Plan with a total exercise price of US$835,000 (equivalent to RMB5,663,000).

(c) On 15 January 2021, the Company and the Sole Placing Agent entered into a placing agreement 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.

(d) 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).

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31. 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.

(a) Share award program

On 23 December 2016, the Company issued an aggregate of 950,000 (after subdivision: 9,500,000) restricted shares of the Company for a subscription price of USD1.10 per share, in exchange of the share options granted to Dr. Yu previously.

The restricted shares shall initially be unvested and subject to repurchase by the Company at subscription price paid by the employees upon voluntary or involuntary termination of employment (the "Repurchase Option"). One forth (25%) of the restricted shares shall vest on 10 January 2017 and the remaining portion (75%) of the restricted shares shall vest rateably on a monthly basis over a 36-months vesting period and released from the Repurchase Option, except for vesting due to specific clause and reasons.

The 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.

On 18 February 2017, the Company further entered into a restricted share agreement to which 3,020,697 (after subdivision: 30,206,970) ordinary shares at subscription price of USD1.1 per share for a total consideration of USD3,323,000 (equivalent to RMB22,845,000) pursuant to which the vesting is subject to accomplishment of certain performance milestones conditions and such restricted shares have been vested during 2017.

No additional restricted shares was granted during the years ended 31 December 2021 and 2020 under the Pre-IPO Plan.

Notes to the Consolidated Financial Statements

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31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(i) Pre-IPO Plan (Continued)

(a) Share award program (Continued)

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees and directors of the Company are nil (2020: RMB1,000) for the year ended 31 December 2021.

The following table summarised the Group's unvested restricted shares movement.

	Pre-IPO	
	Numbers of unvested restricted shares	Weighted average grant date fair value per share RMB
Unvested as at 1 January 2020	197,920	1.04
Vested	(197,920)	(1.04)
Unvested as at 31 December 2020 and 2021	–	–

(b) Option and share appreciation rights grant program

For 7,900,000 (2020: 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.

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31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(i) Pre-IPO Plan (Continued)

(b) Option and share appreciation rights grant program (Continued)

The following table discloses movements of the Company's share options held by grantees during the years:

	Number of share options Employees	
	2021	2020
As at 1 January	**51,229,213**	57,518,000
Forfeited	**(1,471,250)**	(275,000)
Exercised	**(7,332,667)**	(6,013,787)
As at 31 December	**42,425,296**	51,229,213

As at 31 December 2021, 26,514,046 (2020: 3,326,700) outstanding options under the Pre-IPO Plan were exercisable.

For the outstanding options, vesting period ranges from 9 May 2015 to 8 October 2024, weighted average remaining contractual life being 6.34 years, exercise price ranges from US$0.02 to US$1.34 and weighted average exercise price being US$0.26.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the years:

	2021	2020
Forfeited	**US$0.23**	US$0.22
Exercised	**US$0.22**	US$0.14

No share appreciation rights 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 RMB40,900,000 (2020: RMB38,368,000) for the year ended 31 December 2021.

(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.

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31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(ii) Post-IPO ESOP (Continued)

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	
	2021	2020	**2021**	2020
As at 1 January	**7,802,381**	5,095,238	**54,522,626**	19,780,345
Granted	**1,378,571**	2,707,143	**18,887,960**	38,002,831
Forfeited	**–**	–	**(1,400,080)**	(3,260,550)
As at 31 December	**9,180,952**	7,802,381	**72,010,506**	54,522,626

On 30 March 2021, the Company granted a total of 1,378,571 share options to 2 directors of the Group, subject to the accomplishment of certain non-market performance conditions.

On 30 March 2021, 23 June 2021, 26 August 2021 and 6 December 2021, the Company granted a total of 18,887,960 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 8.40 years, exercise price ranges from HK$25.85 to HK$91.05 and weighted average exercise price being HK$48.24.

As at 31 December 2021 and 2020, no outstanding options under the Post-IPO ESOP were exercisable.

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31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(ii) Post-IPO ESOP (Continued)

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	
	2021	2020	**2021**	2020
Granted	**HK$78.20**	HK$33.95	**HK$77.93**	HK$40.70

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 2020 and 2021. 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:

	2021	2020
Fair value per option on grant date	**HK$37.80 – HK$62.53**	HK$20.1 – HK$35.62
Weighted average share price of the Company on grant date	**HK$61.80 – HK$90.05**	HK$33.95 – HK$54.55
Exercise price	**HK$64.69 – HK$90.05**	HK$33.95 – HK$54.55
Expected volatility	**65.91% – 66.56%**	62.39% – 65.06%
Risk-free interest rate	**1.09% – 1.446%**	0.54% – 0.72%
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 RMB495,210,000 (2020: RMB195,954,000) for the year ended 31 December 2021.

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31. 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.

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31. 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.

	Post IPO	
	Number of unvested restricted shares	Weighted average grant date fair value per share HK$
Unvested as at 1 January 2020	16,554,963	23.4
Granted	12,470,272	39.5
Vested	(1,380,359)	26.25
Unvested as at 31 December 2020	**27,644,876**	**30.5**
Vested	**(1,388,984)**	**26.36**
Forfeited	**(156,800)**	**34.71**
Unvested as at 31 December 2021	**26,099,092**	**30.30**

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant dates and is recognising 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 RMB206,619,000 (2020: RMB158,207,000) for the year ended 31 December 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.

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31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iii) 2018 RS Plan (Continued)

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.

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.

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31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(iv) 2020 RS Plan (Continued)

The following table summarised the Group's unvested restricted shares movement under 2020 RS Plan.

	Post IPO	
	Number of unvested restricted shares	Weighted average grant date fair value per share HK$
Unvested as at 1 January 2020	–	–
Granted	8,131,864	46.19
Unvested as at 31 December 2020	8,131,864	46.19
Granted	7,232,834	62.93
Vested	(36,800)	61.80
Forfeited	(41,900)	74.45
Unvested as at 31 December 2021	**15,285,998**	**56.34**

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant dates and is recognising 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 RMB168,141,000 (2020: RMB9,970,000) for the year ended 31 December 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.

32. CAPITAL COMMITMENT

	2021 RMB'000	2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of property, plant and equipment	**1,628,430**	685,224
Acquisition of intangible asset	**19,087**	38,414
Other investment at FVTPL	**–**	7,504
	1,647,517	731,142

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33. 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 RMB227,837,059 (2020: RMB85,146,000) 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.

33A. 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.

33B. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors of the Company and other members of key management was as follows:

	2021 RMB'000	2020 RMB'000
Short-term benefits	**32,641**	28,077
Share based payment expenses	**116,707**	94,155
	149,348	122,232

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

34. 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.

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35. FINANCIAL INSTRUMENTS

35a. Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Amortised cost	**9,500,640**	8,351,414
Measured at FVTPL	**858,657**	370,239
Equity instruments at FVTOCI	**203,446**	–
Financial liabilities		
Amortised cost	**3,359,725**	1,456,113
Measured at FVTPL	**342**	–

35b. 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 payables, other payables, amounts due to partners of joint operations and borrowings. 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	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
USD	**7,825,021**	7,461,688	**(39,157)**	(466)
HK$	**342,405**	59,153	**(32)**	–

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For the year ended 31 December 2021

35. FINANCIAL INSTRUMENTS (Continued)

35b. 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.

	2021 **RMB'000**	2020 RMB'000
Impact of USD on loss for the year	**374,342**	361,163

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 bank 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.

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35. FINANCIAL INSTRUMENTS (Continued)

35b. 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 35c.

If the prices of the respective equity instruments had been 5% higher/lower, the other comprehensive income would increase/decrease by 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 incredit risk since initial recognitionthrough information developed internallyor 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 debtoris in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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35. FINANCIAL INSTRUMENTS (Continued)

35b. 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 65.9% (2020: 79.8%) and 74.1% (2020: 87.0%) 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 RMB869,294,000 as at 31 December 2021 (2020: RMB452,550,000) 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 RMB99,111,000 as at 31 December 2021 (2020: RMB22,828,000) 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.

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35. FINANCIAL INSTRUMENTS (Continued)

35b. 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	**2021 Gross carrying amount RMB'000**	2020 Gross carrying amount RMB'000
Financial asset at amortised cost						
Rental deposits	21	N/A	N/A (note a)	12m ECL	**6,424**	5,492
Other loans	21	N/A	N/A (note a)	12m ECL	**9,139**	9,506
Bank balances	23	A1 – A3	N/A	12m ECL	**8,376,462**	7,763,742
Other receivables						
– interest receivables	21	N/A	N/A (note a)	12m ECL	**81,846**	54,241
– others	21	N/A	N/A (note a)	12m ECL	**57,731**	42,964
					139,577	97,205
Trade receivables – contracts with customers	20	N/A	Low risk (note c)	Lifetime ECL (collective assessment)	**99,111**	22,828
			N/A (note b)	Lifetime ECL	**869,294**	452,550
					968,405	475,378

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For the year ended 31 December 2021

35. FINANCIAL INSTRUMENTS (Continued)

35b. 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 2021 and 2020, 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 2021 and 2020, 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

	2021 Trade receivables RMB'000	2020 Trade receivables RMB'000
Current (not past due)	**99,111**	22,828

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 2021, the Group has available unutilised specific bank loan facilities of RMB2,635,739,000 (2020: RMB593,822,000).

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.

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35. FINANCIAL INSTRUMENTS (Continued)

35b. 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 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
At 31 December 2020								
Trade payables	-	120,620	-	-	-	-	120,620	120,620
Other payables	-	155,315	-	-	-	-	155,315	155,315
Borrowings – fixed rate	4.5	22,870	280,115	136,858	821,874	92,892	1,354,609	1,180,178
		298,805	280,115	136,858	821,874	92,892	1,630,544	1,456,113
Lease liabilities	4.7	4,517	13,568	10,401	-	-	28,486	26,390

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35. FINANCIAL INSTRUMENTS (Continued)

35c. 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 2021 RMB'000**	2020 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	**203,446**	N/A	Level 1	Active market quoted transaction price	N/A	N/A
(2) Other financial assets – investment in unlisted company	**64,695**	N/A	Level 2	Recent transaction price	N/A	N/A
(3) Other financial assets – investment in unlisted company	**60,292**	12,942	Level 3 (note d)	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.

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35. FINANCIAL INSTRUMENTS (Continued)

35c. 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 2021 RMB'000	2020 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(4) Other financial assets – investment in unlisted company	**67,064**	N/A	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 c)
(5) Other financial assets – warrant of listed company	**21,758**	N/A	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 – wealth management plan	**638,213**	242,944	Level 2	Discounted cashflow - Future cash flows are estimated based on expected return.	N/A	N/A

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35. FINANCIAL INSTRUMENTS (Continued)

35c. 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 2021 RMB'000	2020 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(7) Other financial assets – foreign currency forward contracts	**6,635**	N/A	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
(8) Other financial assets – structured deposits	**N/A**	114,353	Level 2	Income approach - in this approach, the discounted cash flow method was used to estimate the return from the underlying assets.	N/A	N/A

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 RMB3,927,000 as at 31 December 2021.

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 RMB2,748,000 as at 31 December 2021.

Note c: 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 decrease/increase by RMB1,320,000 as at 31 December 2021.

Note d: The fair value hierarchy was transferred from Level 2 to Level 3 because no new equity transaction occurred for the year ended 31 December 2021.

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35. FINANCIAL INSTRUMENTS (Continued)

35c. Fair value measurements of financial instruments (Continued)

(ii) 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.

36. RECONCILIATION OF LIABILITIES OR ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities or assets arising from financing activities, including both cash and non-cash changes. Liabilities or assets 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 2020	1,238	40,088	825,000	–	866,326
Financing cash flows (note)	(44,222)	(18,395)	355,178	(42,803)	249,758
Interest expenses	44,612	1,607	–	–	46,219
New leases entered	–	3,090	–	–	3,090
Transaction costs attributable to issuance of new shares	–	–	–	42,803	42,803
At 31 December 2020 and 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	**2,944**	**108,665**	**2,388,261**	**–**	**2,499,870**

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.

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37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Investment in a subsidiary	**4,179,621**	2,869,174
Other financial assets	**213,809**	12,942
Equity instruments at FVTOCI	**203,446**	–
Other receivables and tax recoverables	**13,640**	15,809
Amounts due from subsidiaries	**7,321,052**	4,420,863
	11,931,568	7,318,788
Current assets		
Prepayments and other receivables	**41,255**	57,101
Amounts due from subsidiaries	**394,207**	202,085
Bank balances	**5,144,890**	5,928,090
Other financial assets	**638,213**	–
	6,218,565	6,187,276
Current liabilities		
Other payables and accrued expenses	**19,577**	7,395
Amounts due to subsidiaries	**227,380**	90,150
	246,957	97,545
Net current assets	**5,971,608**	6,089,731
Net assets	**17,903,176**	13,408,519
Capital and reserves		
Share capital	**101**	97
Reserves	**17,903,075**	13,408,422
Total equity	**17,903,176**	13,408,519

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37. 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 2020	13,885,262	–	168,002	(4,858,153)	9,195,111
Loss and total comprehensive expenses for the year	–	–	–	(808,739)	(808,739)
Issuance of ordinary shares (note 30 a)	4,656,691	–	–	–	4,656,691
Transaction costs attribute to issuance of new shares	(42,803)	–	–	–	(42,803)
Recognition of equity-settled share based payment	–	–	402,500	–	402,500
Vesting of restricted shares	31,946	–	(31,946)	–	–
Exercise of share options	10,155	–	(4,493)	–	5,662
At 31 December 2020	**18,541,251**	**–**	**534,063**	**(5,666,892)**	**13,408,422**
Loss and total comprehensive expenses for the year	**–**	**(120,009)**	**–**	**(192,028)**	**(312,037)**
Issuance of ordinary shares (note 30 c)	**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	**–**	**–**	**910,870**	**–**	**910,870**
Vesting of restricted shares	**32,252**	**–**	**(32,252)**	**–**	**–**
Exercise of share options	**34,763**	**–**	**(24,335)**	**–**	**10,428**
At 31 December 2021	**22,493,658**	**(120,009)**	**1,388,346**	**(5,858,920)**	**17,903,075**

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38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of offices for 1-10 years (2020: 1 – 2 years). At the dates of lease commencement, the Group recognised an aggregate amounts of RMB106.5 million (2020: RMB3.1 million) of right-of-use assets and RMB106.5 million (2020: RMB3.1 million) lease liabilities.

39. EVENTS AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere of the consolidated financial statements, the Group has the following event entered into subsequent to 31 December 2021:

The Company has announced on 28 March 2022 that the Company and Eli Lilly and Company ("Lilly") have expanded their strategic partnership through an agreement for the Company to obtain:

i) the sole commercialization rights to import, market, promote and detail Cyramza® (ramucirumab) and Retsevmo® (selpercatinib) once such rights are approved in Mainland China; and

ii) a right of first negotiation for potential future commercialization of Pirtobrutinib in Mainland China.

Under the terms of this agreement, upon regulatory approvals of Cyramza® (ramucirumab) in hepatocellular carcinoma indication and Retsevmo® (selpercatinib) in non-small cell lung cancer ("NSCLC") indication, the Company will make a total payment of USD45 million to Lilly for the rights to be obtained as disclosed in item i) above.

Five Year Financial Summary

Condensed Consolidated Income Statements of Profit or Loss

	For the year ended 31 December				
	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	**2021 (RMB'000)**
Revenue	18,538	9,477	1,047,525	3,843,819	**4,269,729**
Cost of Sales	–	–	(124,878)	(387,761)	**(573,040)**
Other income	64,406	93,795	144,081	246,787	**196,881**
Other gains and losses	(42,079)	(4,272,090)	15,075	(479,965)	**(72,784)**
Research and development expenses	(611,922)	(1,221,687)	(1,294,724)	(1,851,453)	**(2,478,067)**
Administrative expenses	(79,490)	(220,315)	(255,299)	(436,872)	**(884,027)**
Selling and marketing expenses	(8,278)	(136,006)	(692,515)	(1,340,861)	**(2,728,166)**
Royalties and other related payments	–	–	(499,725)	(384,057)	**(719,077)**
Listing expense	–	(57,187)	–	–	**–**
Finance costs	(57,225)	(68,969)	(59,490)	(68,350)	**(62,464)**
Income tax expense	–	–	–	(139,708)	**(87,038)**
Loss for the year	(716,050)	(5,872,982)	(1,719,950)	(998,421)	**(3,138,053)**

Condensed Consolidated Statements of Financial Position

	For the year ended 31 December				
	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	**2021 (RMB'000)**
Current assets	1,445,755	4,686,261	5,455,423	9,466,681	**11,550,849**
Inventories	57,722	66,121	358,597	705,658	**1,347,240**
Trade receivables	–	–	247,854	475,378	**968,405**
Prepayments and other receivables	53,762	72,309	151,626	164,515	**213,261**
Contract assets	–	7,505	2,185	–	**–**
Income tax recoverables	13,068	13,726	–	–	**–**
Other financial assets	809,484	–	462,519	357,297	**644,848**
Prepaid lease payments	1,248	1,248	–	–	**–**
Bank balances and cash	510,471	4,525,352	4,232,642	7,763,833	**8,377,095**
Current liabilities	163,276	670,321	1,043,556	1,485,851	**3,050,047**
Trade payables	34,836	42,821	84,275	120,620	**195,050**
Other payables and accrued expenses	122,540	600,498	885,004	973,634	**2,051,624**
Contract liabilities	900	17,002	41,727	120,440	**355,506**
Borrowings	5,00	10,000	17,000	255,000	**365,000**
Lease liabilities	–	–	15,550	16,157	**22,273**
Tax Payables	–	–	–	–	**60,594**
Net current assets	1,282,479	4,015,940	4,411,867	7,980,830	**8,500,802**
Non-current assets	1,011,461	1,426,316	1,775,106	2,368,315	**4,692,864**
Non-current liabilities	3,916,068	1,247,842	1,430,842	1,569,375	**2,863,269**
Net (liabilities) assets	(1,622,128)	4,194,414	4,756,131	8,779,770	**10,330,397**
Total equity (deficiency of total equity)	(1,622,128)	4,194,414	4,756,131	8,779,770	**10,330,397**

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"	the annual general meeting of the Company to be held on 22 June 2022
"ALK"	anaplastic lymphoma kinase
"AML"	acute myeloid leukemia
"Alector"	Alector, Inc., the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: ALEC)
"AnHeart"	AnHeart Therapeutics Co., Ltd.
"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
"Ascentage"	Ascentage Pharma Group International
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"BCMA"	B-cell maturation antigen
"BTD"	breakthrough therapy designation
"Board" or "Board of Directors"	the board of directors of our Company
"Bolt"	Bolt Biotherapeutics, Inc. (NASDAQ ticker symbol: BOLT)
"BTK"	Bruton' s tyrosine kinase
"CAR-T"	chimeric antigen receptor T-cell
"CC"	cervical cancer

Definitions

"CD47"	cluster differentiation 47
"CG Code"	the Corporate Governance Code (version up to 31 December 2021) set out in Appendix 14 of the Listing Rules
"China" or the "PRC"	the People's Republic of China, and for the purpose of this report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chipscreen Bioscience"	Shenzhen Chipscreen Biosciences Co., Ltd, the shares of which are listed on Shanghai Stock Exchange (Ticker Symbol: 688321)
"CMC"	chemistry, manufacturing and controls
"Coherus"	Coherus BioSciences, Inc., the shares of which are listed on the Nasdaq Global Market (Ticker Symbol: CHRS)
"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 interim report, our Core Product refers to TYVYT(r) (sintilimab injection), BYVASDA(r) (bevacizumab biosimilar), SULINNO(r) (adalimumab biosimilar) and IBI-301 (rituximab biosimilar)
"CRC"	colorectal cancer
"CTLA-4"	cytotoxic T-lymphoayte-associated protein 4
"Director(s)"	the director(s) of our Company
"Dr. Yu"	Dr. De-Chao Michael Yu, our Chief Executive Officer, Chairman and Executive Director
"EGFR"	epidermal growth factor receptor

Definitions

"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
"ESCC"	esophageal squamous cell carcinoma
"Etana"	PT Etana Biotechnologies Indonesia
"FGFR"	fibroblast growth factor receptor
"G/GEJ"	gastric or gastroesophageal junction adenocarcinoma
"GC"	gastric carcinoma
"GCGR"	glucagon receptor
"GenFleet"	GenFleet Therapeutics (Shanghai) Inc.
"GLP-1"	glucagon-like petide-1
"GMP"	good manufacturing practice
"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
"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
"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))

Definitions

"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
"Laekna"	Laekna Therapeutics Shanghai Co., Ltd.
"Latest Practicable Date"	21 April 2022, being the latest practicable date to ascertain certain information set out in this annual report prior to its bulk printing
"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 Growth Enterprise Market of the Stock Exchange
"mCCA"	metastatic cholangiocarcinoma
"MCL"	mantle cell lymphoma
"MDS"	myelodysplastic syndrome
"MoA"	Modalities of Actions
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MOST"	Ministry of Science and Technology of China
"MSCI China Index"	Morgan Stanley Capital International China Index

Definitions

"MTC"	medullary thyroid cancer
"MZL"	marginal zone lymphoma
"nAMD"	neovascular age-related macular degeneration
"NDA"	new drug application
"NeoCura"	NeoCura Bio-Medical Technology Co., Ltd.
"NHFPC"	China National Health and Family Planning Commission
"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
"OXM3"	oxyntomodulin analog
"PCSK9"	proprotein convertase subtilisin/kexin type 9 enzyme
"PD-1"	programmed cell death protein 1
"PD-L1"	PD-Lgand 1
"PoC"	Proof-of-Concept
"Post-IPO ESOP"	the post-IPO share option scheme adopted by the Company on 12 June 2018
"Pre-IPO Share Incentive Plan"	the pre-IPO share incentive plan adopted by the Company on 10 May 2012 as amended from time to time
"Prospectus"	the prospectus of the Company dated 18 October 2018
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company

Definitions

"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
"Reporting Period"	the year ended 31 December 2021
"ROS1/NTRK"	repressor of silencing 1 and neuro trophin receptor kinase
"r/r cHL"	relapsed or refractory classic Hodgkin's lymphoma
"r/r FL"	recurrent or refractory follicular lymphoma
"r/r MM"	relapsed or refractory multiple myeloma
"SAB"	Scientific Advisory Board
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary 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)
"SIRP"	signal regulatory protein
"sNDA"	supplemental new drug application
"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
"Synaffix"	Synaffix B.V.
"TC"	thyroid cancer
"TIGIT"	T-cell immunoreceptor with Ig and ITIM domain
"TKI"	tyrosine kinase inhibitor
"UNION"	UNION therapeutics A/S

Definitions

"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"	The U.S. Food and Drug Administration
"VEGF"	vascular endothelium growth factor
"wet AMD"	wet age-related macular degeneration
"%"	per cent

Innovent
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