Innovent
信达生物制药

Innovent Biologics, Inc. 信達生物製藥

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號:1801

# 2023·年報
# ANNUAL REPORT

# Contents

# Company Profile

## Overview

Innovent Biologics, Inc. is a leading biopharmaceutical company founded in 2011 with the mission to provide high-quality biologics that are affordable to all. The company discovers, develops, manufactures and commercializes innovative medicines that target some of the most intractable diseases. Its pioneering therapies treat cancer, cardiovascular and metabolic (CVM), autoimmune and eye diseases.

The Company partners with over 30 global healthcare companies, including Eli Lilly, Sanofi, Incyte, Adimab, LG Chem and MD Anderson Cancer Center.

Guided by the motto, "Start with Integrity, Succeed through Action," the Company maintains the highest standard of industry practices and works collaboratively to advance the biopharmaceutical industry so that first-rate pharmaceutical drugs can become widely accessible.

## 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 36 valuable assets. We have 10 products in the market. These include: TYVYT® (sintilimab injection), BYVASDA® (bevacizumab injection), SULINNO® (adalimumab injection), HALPRYZA® (rituximab injection), Pemazyre® (pemigatinib), olverembatinib, Cyramza® (ramucirumab injection), Retsevmo® (selpercatinib), FUCASO® (Equecabtagene Autoleucel) and SINTBILO® (tafolecimab injection). In addition, we have three new drug applications under regulatory review, five assets in Phase III or pivotal clinical trials and 18 more molecules in early clinical stage.

# Corporate Information

## Board of Directors

### Executive Directors

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

### Independent Non-Executive Directors

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen
Mr. Gary Zieziula
Dr. Shun Lu *(appointed on 9 February 2024)*

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Strategy Committee

Dr. De-Chao Michael Yu *(Chairman)*
Mr. Ronald Hao Xi Ede
Dr. Charles Leland Cooney
Mr. Gary Zieziula
Dr. Shun Lu *(appointed on 9 February 2024)*

## Joint Company Secretaries

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

## Authorised Representatives

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

## Auditor

Deloitte Touche Tohmatsu
*Registered Public Interests Entity Auditors*
35/F, One Pacific Place
88 Queensway Admiralty
Hong Kong

## Registered Office

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Cayman Islands

## Head Office and Principal Place of Business in China

168 Dongping Street
Suzhou Industrial Park
China 215123

## Principal Place of Business in Hong Kong

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

# Corporate Information

## Legal Advisors

*As to Hong Kong law and United States law*
Skadden, Arps, Slate, Meagher & Flom and affiliate
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

## Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4-4A Des Voeux Road
Central
Hong Kong

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

**Dear Shareholders,**

Thank you for your continued support to Innovent.

Founded in 2011, Innovent has remained committed to its mission of "to provide high-quality biologics that are affordable to all". In the first decade of its development, Innovent has successfully become a leading biopharmaceutical company in China. Our fully-integrated platform enables us to discover, develop, manufacture, and commercialize innovative medicines that treat some of the most intractable diseases including cancer, CVM, autoimmune and eye diseases.

For the second decade of development, we have outlined sustainable growth and global innovation as our long-term strategic goals. 2023 was a transformative year for Innovent, marked by strong performance and material innovation progress. Specifically, we delivered strong revenue growth, continuous operational efficiency and financial performance improvements, as well as enhanced ESG management practices. In the past year, we have achieved material innovation progress in both late- and early-stage pipeline portfolio across oncology and general biomedicine, and broadened our global pipeline development scope. These achievements reinforced our commitment to financial prudence, operational excellence, and sustainable growth, well-positioning us to pursue our strategic goals in the coming decade.

**In 2023, our business operations have been solidified with strong revenue performance and improved financials.**

- Our total revenue increased by 36.2% year-over-year, reaching RMB6,206.1 million; our product revenue increased by 38.4% year-over-year, reaching RMB5,728.3 million, reflecting the strong demand for our innovative portfolio and sustainable business model. TYVYT® (sintilimab injection) recorded robust sales performance and solidified market leading position. The other products also achieved significant sales and volume ramp-up. Meanwhile, revenue contribution from new products has been continually increasing, which further supports the Company's sustainable growth.

- Our financial performance has been enhanced, in particular, a 73.0% year-over-year decrease in LBITDA from RMB2.22 billion to RMB600.1 million. This achievement can be attributed to several key factors, including: 1) rapid growth in product sales revenue at 38.4% year-over-year; 2) 2.0 percentage points increase in the gross profit margin of total revenue; 3) 7.3 percentage points decrease in selling and marketing expenses ratio of total revenue; and 4) 5.3 percentage points reduction of administrative and other expenses ratio of total revenue, reflecting our commitment to improving operation productivity and efficiency (note: all numbers in this paragraph are under non-IFRS measures).

- In addition, we are in a healthy financial position with about RMB10,969.6 million (equivalent to over US$1.5 billion) cash on hand and short-term financial assets, which puts us in an advantageous position among the industry and allows us to focus on implementing our long-term sustainability strategic goals.

In 2023, our approved products increased to ten, with the expansions of new indications and NRDL coverage for existing commercial portfolio, and patient access for our products are enhanced.

- We received launch approval for two innovative products FUCASO® (Equecabtagene Autoleucel injection) and SINTBILO® (tafolecimab injection) in China.

- After TYVYT® (sintilimab injection) was included into the NRDL (2022 version, effective since March 2023) for the 1L treatment of GC and ESCC, TYVYT® (sintilimab injection) and BYVASDA® (bevacizumab injection) were approved for their seventh and eight indications, respectively, and included into the NRDL (2023 version, effective from January 2024) for the treatment of NSCLC post EGFR-TKI therapy in China.

- Olverembatinib was also approved for the second indication, allowing more CML patients to be benefitted.

Moving forward, Innovent is well positioned for continuous growth momentum. In 2024, we will focus on solidifying our leadership in the oncology field, meanwhile positioning general biomedicines as another key growth pillar. In particular, as part of the strategic plan, we have been steadily establishing our commercialization capability in the CVM field. We aim to become a pioneer and new leader in this evolving therapeutic landscape, and foster long-term brand image and competitive advantage in CVM. We have been proactively preparing ourselves with systematic approaches. We plan to establish a comprehensive structure and form strategies for key factors, such as patient access, distribution channels, marketing activities in systematic manner, to ensure all capabilities, personnel and strategies are in place to facilitate effective operations of our business in this new area.

**In 2023, we have diligently invested in next-generation innovation while strategically focusing on multiple therapeutic areas of high unmet needs.**

Currently we have three assets under the NMPA review, five assets in Phase 3 or pivotal clinical studies and 18 molecules in early clinical studies. Early- and late-stage product R&D have achieved material progress which accelerate our global innovation strategy. Specifically:

**In the oncology field, we rapidly advanced all phases of R&D and novel modalities.**

- We deepened synergies of product portfolio by the NDAs of fulzerasib (KRAS G12C) and taletrectinib (ROS1), which are anticipated to launch in 2024.

- We have achieved encouraging progress in the next wave innovation of "IO+ADC":

  - We strengthened the leadership position of TYVYT® (sintilimab injection) with approval in the Macau market and expanded an indication in NSCLC.

  - We submitted a new NDA of TVYVT® (sintilimab injection) in combination with fruquinitinib for EMC in April 2024. Along with our partners such as Xuanzhu Biopharma and RemeGen, sintilimab in combination with ADCs targeting HER-2, c-Met and MSLN, etc., are also under investigation for solid tumors.

  - We initiated a Phase 3 trial for IBI310 (CTLA-4) in combination with sintilimab in treating neoadjuvant colon cancer in March 2024.

  - We are preparing for a Phase 3 MRCT for IBI343 (CLDN18.2 ADC) in 3L GC subject to regulatory communications. In addition, we will explore PoC studies combining sintilimab and IBI343 in 1L GC, combining ramucirumab and IBI343 in 2L GC and IBI343 monotherapy in PDAC.

  - We are investigating multiple bi-/tri-specific antibodies and ADCs with global potential in PoC or early-stage clinical trials. In particular, IBI363 (PD-1/IL-2) demonstrated preliminary PoC signals in multiple IO resistant/unresponsive cancer types and we plan to initiate a Phase 2 clinical trial in the U.S. in 2024. Multiple programs are ongoing including IBI389(CLDN18.2/CD3), IBI334 (EGFR/B7H3), IBI3003 (GPRC5D/BCMA/CD3), IBI3001(EGFR/B7H3 ADC), IBI130 (TROP2 ADC), IBI133 (HER3 ADC), and more novel assets to be disclosed at a later stage.

**In the CVM field, multiple new-generation product candidates of significant potential achieved substantial R&D millstones and obtained compelling clinical data.**

- SINTBILO® (tafolecimab injection) received the NDA approval for the treatment of hypercholesterolemia. As the first domestic anti-PCSK9 monoclonal antibody, it demonstrated advantages in robust LDL-C, lipoprotein(a) levels reduction and longer dosing interval.

- IBI362 (mazdutide), globally the first GLP-1R/GCGR agonist in the NDA stage, currently has five Phase 3 clinical trials in Chinese adults with obesity or overweight (GLORY-1 and GLORY-2) and T2D subjects (DREAMS-1, DREAMS-2 and DREAMS-3) underway.

    - GLORY-1 study has met primary and all key secondary endpoints in early 2024, with results to be released at an upcoming medical meeting in 2024. Based on GLORY-1 results, we submitted the NDA of mazdutide for chronic weight management in February 2024.

    - We plan to submit the second NDA for T2D later in 2024 based on DREAMS-1 and DREAMS-2.

    - We are also conducting GLORY-2 investigating high dose 9mg mazdutide in obese subjects with higher BMI baseline, and DREAMS-3 comparing mazdutide head-to-head with semaglutide in T2D patients with obesity.

    - We plan to initiate a new Phase 1 clinical trial of mazdutide in Chinese adolescents with obesity in 2024.

- IBI311, the first domestic anti-IGF-1R monoclonal antibody for the treatment of TED, met its primary endpoint in the Phase 3 clinical trial RESTORE-1 in February 2024. We plan to submit the NDA of IBI311 for TED and release the full results from RESTORE-1 at an upcoming medical conference in 2024.

- IBI128, a potentially best-in-class XOI for the treatment of hyperuricemia in gout patients. We are developing IBI128 in China in pace with the global registrational progress, and will start Phase 1 and Phase 2 clinical trials in China in 2024.

- We entered into collaboration with SanegeneBio in developing the AGT-targeting siRNA drug candidate (SGB-3908, Innovent R&D code: IBI3016) for the treatment of hypertension, with Phase 1 clinical trial in plan in 2024.

- We anticipate next-generation projects to enter into clinical trials in 2024 across various modalities, underscoring our dedication to expanding our strategic presence in the CVM field.

**In the autoimmune field, we are growing novel pipeline to address global unmet needs.** We initiated a Phase 3 registrational trial for IBI112 (picankibart, IL-23p19) for psoriasis and anticipate to complete it to support an NDA submission in 2024. IBI112 has showed best-inclass potential in a 58-week Phase 2 clinical trial, with long-lasting and compelling efficacy and convenient extended dosing intervals (Q12W). IBI355 (CD40L), IBI356 (OX40L) and IBI3002 (IL-4α/TSLP) entered first-in-human clinical studies to investigate various autoimmune diseases to meet the unmet clinical needs.

# Chairman's Statement

**In the ophthalmology field, we have a long-standing commitment to elevate standard-of-care.** We accelerated registrational Phase 3 clinical studies for IBI311 (IGF-1R) and IBI302 (VEGF/Complement), followed by IBI324 (VEGF/ANG-2) and IBI333 (VEGF-C/VEGF-A) in early stages of clinical trials to explore differentiated clinical values from existing treatment methods.

**At Innovent Academy, our talented scientists continues to drive innovation,** progressing eight novel molecules to the IND-enabling phase and showcasing cutting-edge research in high-impact scientific journals and conferences, such as:

- Preclinical results publication of IBI363 in *Nature Cancer*
- Preclinical results of IBI334 (EGFR/B7H3), IBI343 (CLDN18.2 ADC), IBI3001 (EGFR/B7H3 ADC) are accepted as Late-breaking Researches by the AACR 2024

**Our manufacturing capacity upholds the highest standards of quality to ensure the mass production**. At our Suzhou manufacturing site, we have a 60,000L antibody production capacity and ADC production lines in operation. In addition, our Hangzhou manufacturing site has a total production capacity of 170,000L, with the first phase of 80,000L already completed and the second phase of 90,000L in plan to secure global supply. Furthermore, our Shanghai R&D center is set to be operational in 2024.

Our commitment to responsible business practices and ESG management is recognized through our recent achievement of 'A' grade in MSCI's 2023 ESG rating. In active support of the United Nations' sustainable development goals (SDGs) and in fulfilling our social responsibilities, we continued to enhance ESG management across several key dimensions, including: "Excellent governance", "Enjoying good health", "High-quality as key", "People first" and "Embracing Ecology".

I extend my heartfelt gratitude to our shareholders for their unwavering support and trust in Innovent. We look forward to continuing our journey of sustainable growth and global innovation together. We will uphold the vision of 'To be a premier global biopharmaceutical company' and create sustainable value for our patients, employees, Shareholders and society.

**Dr. De-Chao Michael Yu**
*Chairman of the Board, executive Director and chief executive officer of the Company*

Hong Kong, China
20 March 2024

# Financial Highlights

## IFRS measure:

### Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Revenue from contracts with customers | **6,206,070** | 4,556,380 |
| Cost of sales | **(1,136,266)** | (930,990) |
| Gross profit | **5,069,804** | 3,625,390 |
| Other income | **552,350** | 279,735 |
| Other gains and losses | **81,164** | 774,340 |
| Research and development expenses | **(2,227,556)** | (2,871,220) |
| Administrative and other expenses | **(750,278)** | (835,488) |
| Selling and marketing expenses | **(3,100,693)** | (2,590,765) |
| Royalties and other related payments | **(670,578)** | (450,763) |
| Finance costs | **(98,624)** | (101,698) |
| Loss before tax | **(1,144,411)** | (2,170,469) |
| Income tax credit (expense) | **116,498** | (8,801) |
| Loss for the year | **(1,027,913)** | (2,179,270) |
| Other comprehensive income (expense) | | |
| *Item that will not be reclassified to profit or loss* | | |
| Fair value gain (loss) on investment in equity instruments at FVTOCI | **15,731** | (876) |
| *Item that may be reclassified subsequently to profit or loss* | | |
| Exchange differences arising on translation of foreign operations | **(1,660)** | (20,446) |
| Other comprehensive income (expense) for the year, net of income tax | **14,071** | (21,322) |
| Total comprehensive expense for the year | **(1,013,842)** | (2,200,592) |

# Financial Highlights

- **Total revenue** increased by 36.2% to RMB6,206.1 million for the year ended 31 December 2023, from RMB4,556.4 million for the year ended 31 December 2022. **Product revenue** was RMB5,728.3 million for the year ended 31 December 2023, representing a robust year-over-year growth of 38.4% compared to RMB4,139.1 million for the year ended 31 December 2022. During the Reporting Period, TYVYT® (sintilimab injection) continued its strong sales performance and solid market-leading position. Besides, the Company's other products also continued rapid ramp-up growth.

- **Gross profit margin** of total revenue was 81.7% for the year ended 31 December 2023, representing an increase of 2.1 percentage points as compared with 79.6% for the year ended 31 December 2022. Such increase was primarily driven by continuous improvement on production efficiency and optimization on production cost of our manufactured products.

- **R&D expenses** were RMB2,227.6 million for the year ended 31 December 2023 compared to RMB2,871.2 million for the year ended 31 December 2022. During the Reporting Period, the Company continued to deploy scientific and efficient R&D strategy, well allocate its R&D resources and investments across the diversified portfolio, including late-stage assets and early-stage pipeline to support its goal of long-term sustainable growth and global innovation.

- **Selling and marketing expenses** were RMB3,100.7 million, accounting for 50.0% of total revenue, or 54.1% of product revenue for the year ended 31 December 2023, as compared with RMB2,590.8 million, accounting for 56.9% of total revenue, or 62.6% of product revenue for the year ended 31 December 2022. The Company devoted continuous efforts in enhancing productivity and efficiency under a healthy and sustainable operation model, which could further support the Company's sustainable growth.

- **LBITDA** was RMB1,113.5 million for the year ended 31 December 2023, representing a decrease of 42.6% or RMB825.4 million from RMB1,938.9 million for the year ended 31 December 2022. Key drivers facilitated the notable improvement include strong revenue growth, remarkable financial improvement and enhanced cost efficiency, partially offset by the adverse impact of change in foreign currency exchange rates. The net foreign exchange gains or losses were non-cash in nature and recorded a gain of RMB60.8 million and RMB752.1 million for the years ended 31 December 2023 and 2022, respectively.

- In view of above, **loss for the year** was RMB1,027.9 million for the year ended 31 December 2023, representing a decrease of 52.8% or RMB1,151.4 million from RMB2,179.3 million for the year ended 31 December 2022.

## Non-IFRS measure[1]

- **Adjusted gross profit margin** of total revenue was 82.8% for the year ended 31 December 2023, representing an increase of 2.0 percentage points as compared with 80.8% for the year ended 31 December 2022.
- **Adjusted R&D expenses** were RMB1,974.9 million and RMB2,664.7 million for the years ended 31 December 2023 and 2022, respectively.
- **Adjusted administrative and other expenses** were RMB543.8 million and RMB641.8 million for the years ended 31 December 2023 and 2022, respectively.
- **Adjusted selling and marketing expenses** were RMB3,057.5 million, accounting for 49.3% of total revenue, or 53.4% of product revenue for the year ended 31 December 2023, as compared with RMB2,578.4 million, accounting for 56.6% of total revenue, or 62.3% of product revenue for the year ended 31 December 2022.
- **Adjusted LBITDA** was RMB600.1 million for the year ended 31 December 2023, representing a decrease of 73.0% or RMB1,621.4 million from RMB2,221.5 million for the year ended 31 December 2022.
- **Adjusted loss for the year** was RMB514.5 million for the year ended 31 December 2023, representing a decrease of 79.1% or RMB1,947.3 million from RMB2,461.8 million for the year ended 31 December 2022.

[1] We adopted non-IFRS measures in order to more clearly illustrate our normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from year to year and company to company to the extent applicable. Non-IFRS measures are not financial measures defined under the IFRS, and represent corresponding financial measures under IFRS excluding the effect brought by certain non-cash items, such as (a) share-based compensation expenses; and (b) net foreign exchange gains or losses. For the calculation and reconciliation of these non-IFRS measures, please refer to "Management Discussion and Analysis – Financial Review – 10. Non-IFRS Measure".

# Business Highlights

**During the year ended 31 December 2023 and up to the date of this report, the Company has made significant achievements in terms of rapid revenue growth, continuous operational efficiency and financial performance improvement, and material R&D progress. These accomplishments align with our long-term strategic objectives of sustainable growth and global innovation. Below are the highlights:**

**We generated product revenue of RMB5,728.3 million for the year ended 31 December 2023, representing a strong underlying growth of 38.4%** compared to RMB4,139.1 million in the same period of the prior year, driven by robust demand for our innovative portfolio. TYVYT® (sintilimab injection) recorded robust sales performance and strengthened market leading position, and the other products also achieved significant revenue and volume ramp-up.

**We significantly improved operational efficiency and enhanced financial performance,** including increased gross profit margin, lowered selling and marketing expense ratio and lowered administrative and other expenses ratio, and therefore significantly narrowed LBITDA, which reaffirmed the sustainability of our long-term business model.

**We grew our commercial product portfolio into ten products**, with approval of two innovative products FUCASO® (Equecabtagene Autoleucel injection) and SINTBILO® (tafolecimab injection) in China. We also expanded our commercial portfolio into new indications and broaden NRDL coverage and patient access. All seven approved indications of TYVYT® (sintilimab injection) were included in the NRDL. It is also the only PD-1 inhibitor in the NRDL for the treatment of GC and EGFR-mutated non-squamous NSCLC post EGFR TKI therapy. Meanwhile, the first indication of olverembatinib, and all indications of BYVASDA® (bevacizumab injection), HALPRYZA® (rituximab injection) and SULINNO® (adalimumab injection) were also included in the NRDL. As for market expansion, TVYVT® (sintilimab injection) was newly approved in the Macau market in February 2024.

**We have four NDAs and sNDA accepted and under review by the NMPA, including:**

- Two NDAs of IBI344 (taletrectinib), a next generation ROS1 TKI, for the treatment of adult patients with locally advanced or metastatic ROS1-positive NSCLC who have been previously treated with ROS1 TKIs, and for the initial treatment of adult patients with locally advanced or metastatic ROS1-positive NSCLC without prior ROS1 TKI treatments.

- The NDA of IBI351 (fulzerasib), a novel potent KRAS G12C inhibitor, for the treatment of patients with advanced NSCLC harboring KRAS G12C mutation who have received at least one systemic therapy.

- The NDA of IBI362 (mazdutide), a GLP-1R and GCGR dual agonist, for the chronic weight management in adults with obesity or overweight.

# Business Highlights

**We have made considerable progress in advancing late-stage programs and strategically expanding our pipeline across oncology and general biomedicine (CVM, autoimmune and eye diseases), such as:**

- IBI362 (mazdutide), a GLP-1R/GCGR dual agonist. Five Phase 3 clinical trials of mazdutide in Chinese adults with overweight or obesity (GLORY-1 and GLORY-2) and T2D subjects (DREAMS-1, DREAMS-2 and DREAMS-3) are underway. IBI362 has shown good safety, robust weight loss efficacy, blood glucose lowering effect and multiple cardio-metabolic benefits from multiple clinical studies in obesity and T2D. Following the first NDA stated above, we anticipate to obtain DREAMS-1 and DREAMS-2 Phase 3 results in support of mazdutide's second NDA submission for T2D in 2024.

- IBI112 (picankibart), a recombinant anti-IL-23p19 antibody. We dosed the first patient in the Phase 3 trial (CLEAR) of IBI112 in patients with moderate-to-severe plaque psoriasis in February 2023. We anticipate to obtain CLEAR Phase 3 results in support of an NDA submission in 2024.

- IBI311, a recombinant anti-IGF-1R monoclonal antibody. The Phase 3 clinical trial (RESTORE-1) of IBI311 in patients with TED met its primary endpoint in February 2024 and we anticipate to submit an NDA in 2024.

- IBI302 (efdamrofusp alfa), an anti-VEGF/complement bispecific fusion protein. We obtained positive PoC results and dosed the first patient in the Phase 3 trial (STAR) of IBI302 8mg in patients with nAMD in October 2023.

- IBI310, a novel anti-CTLA-4 monoclonal antibody. We obtained positive PoC results and plan to start a Phase 3 clinical trial of IBI310 in combination with sintilimab for resectable MSI-H/dMMR colon cancer neoadjuvant therapy in 2024.

- IBI343, a novel CLDN18.2 ADC. We obtained positive PoC results and are preparing for a Phase 3 MRCT of IBI343 in patients with 3L GC subject to the communications with regulatory authorities.

**We continued to follow and update data from Phase 1 and PoC clinical studies of novel assets with global potential**, such as IBI363 (PD-1/IL-2). We continued to follow more mature data from the multi-regional Phase 1 and PoC clinical trials in which IBI363 showed encouraging efficacy and favorable safety profiles in IO resistant or unresponsive cancer types. We entered into PoC studies for multiple novel assets such as IBI343 (CLDN18.2 ADC) in PDAC, IBI389 (CLDN18.2/CD3), IBI334 (EGFR/B7H3), etc.

# Business Highlights

**We kept advancing a compelling set of novel molecules with global potential at early clinical stage**, including multi-specific antibody and ADC programs in difficult-to-treat cancers, novel modalities across CVM, autoimmune and eye diseases. In 2023, Innovent Academy delivered eight molecules into IND-enabling stage to empower global innovation and long-term sustainable growth.

**We published high-quality preclinical research and clinical results in renowned scientific journals**, such as the ORIENT-31 study and ORIENT-16 study of TYVYT® (sintilimab injection) were published in *the Lancet Respiratory Medicine and JAMA*, respectively; full results from Phase 2 clinical studies of mazdutide in T2D and obesity were published in *Diabetes Care* and *Nature Communications*; and the preclinical results of IBI363 (PD-1/IL-2) were published in *Nature Cancer*.

**We forged significant partnerships with global and regional biopharmaceutical companies. These collaborations aim to enhance innovation and expand our pipeline coverage, including:**

- Collaboration agreement with SanegeneBio to co-develop a siRNA drug candidate SGB-3908 (Innovent R&D code: IBI3016) targeting AGT for the treatment of hypertension.

- Clinical trial collaboration investigating combination therapies of TYVYT® (sintilimab injection) and ADCs such as MSLN-targeting ADC (RC88) and c-Met-targeting ADC (RC108) of RemeGen, and HER-2 bispecific ADC (KM-501) of Xuanzhu Biopharma.

- ADC collaboration expansion with Synaffix.

**We have made significant strides in ESG management, bolstered by a robust and resilient ESG governance framework**. According to MSCI latest ESG rating in 2023, our Company has been upgraded to 'A' level, ranking at the forefront of the biotechnology industry.

**Our ongoing efforts focuses on enhancing ESG management across several key dimensions:**

- Excellent governance: we operate the Company with integrity and are committed to creating a transparent and healthy business ecosystem. We prioritize transparent and effective governance practices ensuring alignment with industry standards.

- Enjoying good health: we are devoted to investing in R&D, expanding product pipeline and bringing innovative therapies to address unmet clinical needs and improve the quality of patients' life globally. We make endeavors to promote equality and inclusiveness, and to enhance the accessibility and affordability of high-quality innovative drugs for patients.

- High quality as key: quality is at the core of our operations. We continually strive for excellence in product development, manufacturing, and delivery, to bring safe, convenient, and high-quality drugs to patients.

- People first: our people are our greatest asset. We attach great importance to create a safe, diverse, inclusive and empowering working environment, and provide all employees with various promotion channels and training opportunities. We also implement a comprehensive remuneration and welfare system, as well as employee care initiatives to help to attract, retain and empower our talents.

- Embracing ecology: environmental stewardship is integral to our mission. We implement sustainable practices, minimize our ecological footprint in daily operation and product lifecycle, and contribute to a greener future.

For details of any of the foregoing, please refer to the rest of this 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

Guided by the motto, "Start with Integrity, Succeed through Action", Innovent Biologics, Inc. is a leading biopharmaceutical company founded in 2011 with the mission to provide high-quality biologics that are affordable to all. Leveraging an established fully-integrated platform, the Company discovers, develops, manufactures and commercializes innovative medicines that treat some of the most intractable diseases. Its pioneering therapies treat cancer, CVM, autoimmune and eye diseases, with a robust pipeline covering a variety of novel modalities including monoclonal antibodies, multi-specific antibodies, immuno-cytokine, ADCs, cell therapy and small molecules etc.

The Company maintains the highest standard of industry practices and works collaboratively to advance the biopharmaceutical industry so that first-rate pharmaceutical drugs can become widely accessible.

## 2023 Review and Outlook: A Transformative Year of Strong Performance and Material Innovation Progress

Positioned as a leading biopharmaceutical company in China, we have outlined sustainable growth and global innovation as the Company's long-term strategic goals in our second decade of operations. 2023 marked a transformative year for Innovent with material progress. In the past year, we made outstanding and remarkable achievements in growing our product sales fast, continuously improving operational efficiency and financial performance, as well as achieving material R&D milestones. These achievements underscore our dedication to financial prudence, operational excellence, and sustainable growth, which place Innovent in a solid position to pursue our strategic goals in the next decade.

## Solidified Business Operations with Strong Revenue Performance and Improved Financials

**We delivered strong underlying product revenue growth, reflecting robust demand for our innovative portfolio and the advantage of our sustainable business model.**

- **During 2023, our approved products increased to ten; the commercial portfolio continued to expand into new indications and broaden NRDL coverage and patient access.** We received launch approval for two innovative products FUCASO® (Equecabtagene Autoleucel injection) and SINTBILO® (tafolecimab injection) in China. We also made progress in new indication approvals and NRDL coverage expansion of existing products: after TYVYT® (sintilimab injection) was included into the NRDL (2022 version, effective since March 2023) for 1L treatment of GC and ESCC, TYVYT® (sintilimab injection) and BYVASDA® (bevacizumab injection) were approved for their seventh and eight indications, respectively, and included into the NRDL (2023 version, effective from January 2024) for the treatment of NSCLC post EGFR-TKI therapy in China. Olverembatinib was also approved for the second indication, allowing more CML patients to be benefitted.

- **In 2023, our product revenue grew strongly by 38.4% year-over-year to RMB5,728.3 million.** We fully leveraged our diversified product portfolio, broadened NRDL coverage and market channels, adequate clinical evidence, and healthy commercial operation model to bring our high-quality medicines to more patients. TYVYT® (sintilimab injection) recorded robust sales performance and solidified market leading position. The other products also achieved significant sales and volume ramp-up. Meanwhile, revenue contribution from new products has been continually increasing, which further supports the Company's sustainable growth.

**Moving forward, Innovent is well positioned for continuous growth momentum.** Our strategy is anchored in leveraging the potential of the existing portfolio and the expansion of late-stage programs. In 2024, we will focus on solidifying our leadership in the oncology field, and build robust franchise and commercialization capability in the CVM field.

- **We are committed to solidifying our leading position in the field of oncology.** Our innovative therapies and research will continue to drive progress in cancer treatment. In the past five years, we have quickly established a leadership position in oncology by launching eight products including TYVYT® (sintilimab injection), building a mature commercial presence of nearly 3,000 employees, nationwide patient access and a well-recognized brand image. We will continue to solidify leadership and expand business in oncology with continuous uptake of existing products, launch of late-stage products and a new wave of innovations in early stages. In 2024, we anticipate to receive approval for two NDA-stage products, fulzerasib (KRAS G12C) and and taletrectinib (ROS1), which will provide targeted therapy solutions for NSCLC patients.

- **General biomedicine portfolio emerges as another key growth pillar.** Besides oncology, we are excited about the new opportunities in several therapeutical areas. We have made considerable progress over the past years in advancing and expanding our pipeline in general biomedicine, including CVM, autoimmune, and ophthalmology, which we believe will result in substantially increased commercial opportunities and diversified long-term growth. In particular, we see that CVM contains significant opportunities with multiple late-stage products, among which, SINTBILO® (anti-PCSK9 monoclonal antibody) was approved, mazdutide (GLP-1R/GCGR dual agonist) is in NDA-stage, and IBI311 (anti-IGF-1R monoclonal antibody) has met primary endpoint in a Phase 3 clinical trial RESTORE-1 and will have an NDA to be submitted in 2024.

- **Build robust commercialization capabilities in the CVM field.** Therefore, as part of the strategic plan, we have been steadily establishing our commercialization capability in the CVM field. We aim to become a pioneer and new leader in this evolving therapeutic landscape, and foster long-term brand image and competitive advantage in CVM. We have been proactively preparing ourselves with systematic approaches. We plan to establish a comprehensive structure and form strategies for key factors, such as patient access, distribution channels, marketing activities in systematic manner, to ensure all capabilities, personnel and strategies are in place to facilitate smooth operations of our business in this new area.

## Enhanced Financial Performance Safeguards Long-term Strategy Implementation

2023 was a pivotal year for implementing effective measures to bolster operational productivity, enhance efficiency and substantially reduce our operating losses.

Notably, LBITDA decreased by 73.0% year-over-year, from RMB2,221.5 million to RMB600.1 million. This achievement can be attributed to several key factors, including: 1) rapid growth in product sales revenue at 38.4% year-over-year; 2) 2.0 percentage points increase in the gross profit margin of total revenue, a reflection of our continuous efforts to enhance production efficiency and optimize production cost; 3) 7.3 percentage points decrease in selling and marketing expenses ratio of total revenue driven by accelerated revenue growth and enhanced productivity and efficiency in our commercial operations; and 4) 5.3 percentage points reduction of administrative and other expenses ratio of total revenue demonstrating our commitment to cost control and efficiency improvement initiatives. (note: all numbers in this paragraph are under non-IFRS measures)

As of 31 December 2023, the Company had approximately RMB10,969.6 million (equivalent to over US$1.5 billion) cash on hand and short-term financial assets. Our healthy financial position along with consistently efficient capital allocation and financial performance improvement enable us to continue pursuing our long-term sustainability strategic goal.

In summary, our outstanding commercial and operational execution has driven consistent, high-quality growth. Concurrently, we broaden our reach in oncology and general medicine. We are committed to investing in groundbreaking innovations and fortifying our long-term pipeline. We will continue to launch new products and grow our business, while improving operational productivity and efficiency, and achieving sustainable and global innovation over the long run.

## Material Innovation Progress in both Late- and Early-stage Development

We have been diligently investing in next-generation innovation while strategically focusing on multiple therapeutic areas of high unmet needs. Currently we have ten products in the market, three assets under the NMPA review, five assets in Phase 3 or pivotal clinical trials and 18 molecules in early clinical stage. **In 2023, our oncology leadership remained robust, spanning all phases of R&D. We strategically advanced pipeline portfolio in our general biomedicine franchise across CVM, autoimmune and eye diseases, positioning them as our new growth pillar with a compelling set of late-stage programs.**

**In the oncology field, we rapidly advanced both early – and late-stage programs across novel modalities** with multiple regulatory actions, pivotal studies initiations and meaningful data readouts.

We deepened synergies of product portfolio, exemplified by the NDAs of fulzerasib (KRAS G12C) and taletrectinib (ROS1), which are anticipated to launch in 2024.

Importantly, as one of the few biopharmaceutical companies owning world-class R&D capabilities in both IO and ADC fields, we view it as a competitive opportunity of Innovent's next-generation innovation. 2023 witnessed encouraging and meaningful progress under this strategy:

- We further strengthened the leadership position of TYVYT® (sintilimab injection) in IO market with approval in the Macau market as well as expanded indication in NSCLC. In April 2024, we submitted a new NDA of TVYVT® (sintilimab injection) in combination with fruquinitinib for 2L treatment of EMC, which was accepted and grated priority review designation by the NMPA.

- We initiated a Phase 3 trial for IBI310 (CTLA-4) in combination with sintilimab in treating neoadjuvant colon cancer in March 2024. In addition, we are preparing for a MRCT Phase 3 clinical trial for IBI343 (CLDN18.2 ADC) in 3L GC subject to regulatory communications.

  Setting as backbone therapy in oncology, our IO portfolio enables us to investigate more transformative combination therapies for a broader set of patients through both an organic pipeline and external innovation. We will explore PoC studies combining sintilimab and IBI343 (CLDN 18.2 ADC) in 1L treatment of GC and combining ramucirumab and IBI343 (CLDN 18.2 ADC) in 2L treatment of GC. Along with our partners such as Xuanzhu Biopharma and RemeGen, sintilimab in combination with ADCs targeting HER-2, c-Met and MSLN are also under investigation to combat with difficult-to-treat cancer types.

- We are investigating multiple bispecific antibodies and ADCs with global potential in PoC or early-stage clinical trials, such as IBI363 (PD-1/IL-2), IBI389 (CLDN18.2/CD3), IBI334 (EGFR/B7H3), and IBI130 (TROP2 ADC) etc. We will release clinical data of some early-stage assets, such as IBI363 (PD-1/IL-2) and IBI389 (CLDN18.2/CD3), at upcoming medical conferences in 2024.

- We are advancing a series of novel bi-/multi-specific antibody and ADC projects of global potential into IND-enabling and first-in-human Phase 1 clinical trials in 2024, such as IBI115 (DLL/CD3), IBI3003 (GPRC5D/BCMA/CD3), IBI3004 (DR5/CEA), IBI3001 (EGFR/B7H3 ADC), IBI129 (B7H3 ADC), IBI133 (HER3 ADC), and more novel assets to be disclosed later.

**In the CVM field, multiple new-generation product candidates of significant potential achieved substantial R&D millstones and obtained compelling clinical data.**

- We received the NDA approval of SINTBILO® (tafolecimab injection) for the treatment of hypercholesterolemia. As the first domestic anti-PCSK9 monoclonal antibody, it demonstrated advantages in robust LDL-C, lipoprotein(a) levels reduction and longer dosing interval in treating hypercholesterolemia.

- IBI362 (mazdutide), globally the first GLP-1R/GCGR agonist in the NDA stage, currently has five Phase 3 clinical trials in Chinese adults with obesity or overweight (GLORY-1 and GLORY-2) and T2D subjects (DREAMS-1, DREAMS-2 and DREAMS-3) underway. GLORY-1 study has met primary and all key secondary endpoints in early 2024, with results to be released at an upcoming medical meeting in 2024. Based on GLORY-1 results, we submitted the NDA of mazdutide for chronic weight management in February 2024. We plan to submit the second NDA for T2D later in 2024 based on DREAMS-1 and DREAMS-2. To further explore mazdutide's opportunity, we are also conducting GLORY-2 investigating high dose 9mg mazdutide in obese subjects with higher BMI baseline, and DREAMS-3 comparing mazdutide head-to-head with semaglutide in T2D patients with obesity. In 2024, we plan to initiate a new Phase 1 clinical trial of mazdutide in Chinese adolescents with obesity.

- IBI311, the first domestic anti-IGF-1R monoclonal antibody for the treatment of TED, met its primary endpoint in the Phase 3 clinical trial RESTORE-1 in February 2024. We plan to submit the NDA of IBI311 for TED and release the full results from RESTORE-1 at an upcoming medical conference in 2024.

- IBI128, a potentially best-in-class XOI for the treatment of hyperuricemia in gout patients, is undergoing overseas Phase 3 clinical studies conducted by our partner LG Chem. We are developing IBI128 in China in pace with the global registrational progress, and will start Phase 1 and Phase 2 clinical trials in China in 2024.

We also leveraged in-house R&D capability and strategic collaboration to speed up early-stage pipeline development in CVM.

- We entered into collaboration with SanegeneBio in developing the AGT-targeting siRNA drug candidate (SGB-3908, Innovent R&D code: IBI3016) for the treatment of hypertension, with Phase 1 clinical trial in plan in 2024. By leveraging siRNA technology with the advantages of long efficacy duration, good safety, and high compliance, we look forward to bringing better treatment options and improving patient outcomes.

- We anticipate next-generation projects to enter into clinical trials in 2024 across various modalities, underscoring our dedication to expanding our strategic presence in the CVM field.

**In the autoimmune field, we are growing novel pipeline to address global unmet needs.** We initiated a Phase 3 registrational trial for IBI112 (picankibart, IL-23p19) for psoriasis and anticipate to complete it to support an NDA submission in 2024. IBI112 has showed best-in-class potential in a 58-week Phase 2 clinical trial, with long-lasting and compelling efficacy and convenient extended dosing intervals (Q12W). IBI355 (CD40L), IBI356 (OX40L) and IBI3002 (IL-4α/TSLP) entered first-in-human clinical studies to investigate various autoimmune diseases to meet the unmet clinical needs.

**In the ophthalmology field, we have a long-standing commitment to elevate standard-of-care.** We accelerated registrational Phase 3 clinical studies for IBI311 (IGF-1R) and IBI302 (VEGF/Complement), followed by IBI324 (VEGF-A/ANG-2) and IBI333 (VEGF-C/VEGF-A) in early stages of clinical trials to explore differentiated clinical values from existing treatment methods.

## Global Innovation as Unwavering Long-term Strategic Priority

Dedicated to connecting core scientific research with medical applications, Innovent Academy's talented team consistently produces valuable preclinical projects, offering innovative therapies to patients globally. Our in-house emphasis on antibodies and ADCs stems from a profound expertise in several therapeutic areas, cutting-edge technology platforms, and top-tier CMC proficiency. In 2023, Innovent Academy successfully progressed eight novel, high-quality molecules to the IND-enabling phase.

During 2023, our high-quality research innovation was showcased by data publications in high-impact scientific journals and conferences such as preclinical results publication of IBI363 in *Nature Cancer*, and a series of preclinical results of bispecific antibodies and ADCs accepted as Late-breaking Researches in the AACR 2024.

Importantly, although Innovent started as a China-focused biotech company, in the past years, we remarkably grew our pipeline development globally, led by the development of IBI343 (CLDN18.2 ADC) and IBI363 (PD-1/IL-2). Based on the PoC data and the best-in-class profile observed for IBI343 (CLDN18.2 ADC) in Phase 1b study, we are preparing for a MRCT Phase 3 clinical trial for 3L GC subject to the regulatory communications. In addition, new-generation of IO agents such as IBI363 (PD-1/IL-2) have observed preliminary encouraging PoC results in IO resistant and unresponsive tumor types in Phase 1b MRCTs with continuous follow-up in plan. Moving forward, our next wave of innovation in next-generation IO, differentiated multi-specific antibody, and ADC comes into play, which would bring the Company global competitiveness and opportunities.

**To summarize, 2023 has been a pivotal and fruitful year for our Company.** We take pride in the significant achievements across our commercial operations, R&D progress, and financial performance. Meanwhile, we are devoted to responsible business practices, and dedicated to enhancing ESG management practices as part of our commitment to sustainability. This commitment is recognized in our recent 'A' grade in MSCI's 2023 ESG rating. Looking ahead, we are positioned to broaden our global footprint and evolve the Company into a leading global biopharmaceutical enterprise, generating enduring value for our patients, workforce, society, and the Shareholders.

## Product Portfolio And Pipeline Summary

Leveraging the Company's fully-integrated multi-functional platform and strategic partnerships and collaborations, we develop pioneering therapies to treat cancer, CVM, autoimmune and eye diseases. The Company has launched ten products in the market, three assets under regulatory review, five assets in Phase 3 or pivotal clinical trials and 18 molecules in early clinical stage.

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

| Products | Target (s) | Modality | Therapeutic Area | Rights | Status |
|---|---|---|---|---|---|
| TYVYT® (sintilimab injection) | PD-1 | Monoclonal antibody | Oncology | Worldwide | Approved : 1L nsqNSCLC, 1L sqNSCLC, 1L HCC, 1L GC, 1L ESCC, 2L EGFRm nsqNSCLC, cHL |
| BYVASDA® (bevacizumab injection) | VEGF-A | Monoclonal antibody | Oncology | Worldwide | Approved: NSCLC, mCRC, HCC, rGBM, r/r CC, OC, 2L EGFRm nsqNSCLC |
| HALPRYZA® (rituximab injection) | CD20 | Monoclonal antibody | Oncology | Worldwide | Approved: nHL, CLL |
| Pemazyre® (Pemigatinib) | FGFR1/2/3 | Small molecule | Oncology | Mainland China, HK, Taiwan, Macau | Approved: 2L CCA |
| Olverembatinib (BCR-ABL TKI) | BCR/ABL | Small molecule | Oncology | Mainland China, HK, Taiwan, Macau | Approved: 2L TKI-resistant CML |
| Cyramza® (ramucirumab) | VEGFR-2 | Monoclonal antibody | Oncology | Mainland China | Approved: 2L GC, 2L HCC |
| Retsevmo® (selpercatinib) | RET | Small molecule | Oncology | Mainland China | Approved: RETm NSCLC / TC/MTC |
| FUCASO® (Equecabtagene Autoleucel) | BCMA CAR-T | Cell therapy | Oncology | Worldwide | Approved: r/r MM |
| IBI351 (fulzerasib) | KRAS G12C | Small molecule | Oncology | Mainland China, HK, Taiwan, Macau | 2L KRAS+ NSCLC<br>1L KRAS+ NSCLC / 3L CRC |
| IBI344 (Taletrectinib) | ROS1 | Small molecule | Oncology | Mainland China, HK, Taiwan, Macau | 2L ROS1+ NSCLC / 1L ROS1+ NSCLC |
| IBI310 | CTLA-4 | Monoclonal antibody | Oncology | Worldwide | Neoadjuvant colon cancer |
| IBI343 | CLDN18.2 ADC | Antibody drug conjugate | Oncology | Worldwide | 3L GC<br>GC; PDAC |
| IBI363 | PD-1/IL-2 | Bispecific antibody | Oncology | Worldwide | Advanced malignancies |
| IBI322 | PD-L1/CD47 | Bispecific antibody | Oncology | Worldwide | Advanced malignancies |
| IBI389 | CLDN18.2/CD3 | Bispecific antibody | Oncology | Worldwide | Advanced malignancies |
| IBI345 | CLDN18.2 Modular CAR-T | Cell therapy | Oncology | Worldwide | Advanced malignancies |
| IBI354 | HER2 ADC | Antibody drug conjugate | Oncology | Worldwide | Advanced malignancies |
| IBI130 | TROP2 ADC | Antibody drug conjugate | Oncology | Worldwide | Advanced malignancies |
| IBI334 | EGFR/B7H3 | Bispecific antibody | Oncology | Worldwide | Advanced malignancies |
| IBI129 | B7H3 ADC | Antibody drug conjugate | Oncology | Worldwide | Advanced malignancies |
| IBI133 | HER3 ADC | Antibody drug conjugate | Oncology | Worldwide | Advanced malignancies |
| IBI3003 | GPRC5D/BCMA/CD3 | Tri-specific antibody | Oncology | Worldwide | Advanced malignancies |

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

Approved drugs Biologics Small molecules

| Products | Target (s) | Modality | Therapeutic Area | Rights | Status |
|---|---|---|---|---|---|
| SULINNO® (adalimumab) | TNF-α | Monoclonal antibody | Autoimmune | Worldwide | Approved: RA, AS, Pso, Pediatric plaque Pso, PJIA, Uveitis , CD, Pediatric CD |
| SINTBILO® (tafolecimab) | PCSK9 | Monoclonal antibody | Cardiovascular & Metabolic | Worldwide | Approved: Primary hypercholesterolemia and mixed dyslipidemia |
| IBI362 (mazdutide) | GLP-1R/GCGR | Polypeptide | Cardiovascular & Metabolic | Mainland China, HK, Taiwan, Macau | Obesity (6mg)<br>T2DM (6mg)<br>T2DM( vs. semaglutide)<br>Obesity (9mg) |
| IIBI112 (Pincankibart) | IL-23 p19 | Monoclonal antibody | Autoimmune | Worldwide | Pso<br>UC |
| IBI311 | IGF-1R | Monoclonal antibody | Ophthalmology | Worldwide | TED |
| IBI302 (efdamrofusp alfa) | VEGF/Complement | Fusion protein | Ophthalmology | Worldwide | nAMD (8mg HD) |
| IBI324 | VEGF-A/ANG-2 | Fusion protein | Ophthalmology | Worldwide | DME |
| IBI333 | VEGF-A/VEGF-C | Fusion protein | Ophthalmology | Worldwide | nAMD |
| IBI353 | PDE4 | Small molecule | Autoimmune | Mainland China, HK, Taiwan, Macau | Pso |
| IBI355 | CD40L | Monoclonal antibody | Autoimmune | Worldwide | pSS, SLE |
| IBI356 | OX40L | Monoclonal antibody | Autoimmune | Worldwide | Multiple autoimmune diseases inc. AD |
| IBI3002 | IL-4Rα/TSLP | Fusion protein | Autoimmune | Worldwide | Multiple autoimmune diseases |
| IBI128 (Tigulixostat) | XOI | Small molecule | Cardiovascular & Metabolic | Mainland China, HK, Taiwan, Macau | Gout with Hyperuricemia |
| IBI3016 | AGT | siRNA | Cardiovascular & Metabolic | Worldwide | Hypertension |

AS: ankylosing spondylitis; RA: rheumatoid arthritis; PsA: psoriatic arthritis; PsO: psoriasis; CD: Crohn's disease; PJIA: polyarticular juvenile idiopathic arthritis
HeFH: heterozygous familial hypercholesterolemia; Non-FH:non-familial hypercholesterolemia; TED: thyroid eye disease; DME: Diabetic Macular Edema; nAMD: Neovascular Age-related Macular Degeneration; SLE: Sjögren's syndrome; AD: atopic dermatitis;

Approved drugs Biologics Small molecules

## Business Review

### Commercial Stage Products

During the Reporting Period and up to the date of the report, we have successfully expanded our commercial portfolio into ten products: TYVYT® (sintilimab injection), BYVASDA® (bevacizumab injection), SULINNO® (adalimumab injection), HALPRYZA® (rituximab injection), PEMAZYRE® (pemigatinib), olverematinib, Cyramza® (ramucirumab injection), Retsevmo® (selpercatinib), FUCASO® (Equecabtagene Autoleucel), and SINTBILO® (tafolecimab injection).

### 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 Eli Lilly;*

*Approved for seven indications in China, including lung cancer, liver cancer, gastric cancer, esophageal cancer, Hodgkin's lymphoma, etc.*

*Regulatory Actions*

- In May 2023, the NMPA approved the seventh indication of TYVYT® (sintilimab injection) in combination with bevacizumab and chemotherapy in patients with EGFR-mutated non-squamous NSCLC who progressed after EGFR-TKI therapy.
- In February 2024, TYVYT® (sintilimab injection) was approved by the Pharmaceutical Administration Bureau (ISAF) in Macau.
- A sNDA filing of TYVYT® (sintilimab injection) in combination with fruquintinib for 2L EMC to the NMPA is accepted by the NMPA in April 2024.

*NRDL Coverage*

- In January 2023, TYVYT® (sintilimab injection) was included in the NRDL (2022 version) for two additional indications, including 1L GC and 1L ESCC. TYVYT® (sintilimab injection) is the first and the only PD-1 inhibitor for GC in the NRDL. The updated NRDL (2022 version) took effect on 1 March 2023.
- In December 2023, TYVYT® (sintilimab injection) was included in the NRDL (2023 version) for its seventh indication in patients with EGFR-mutated non-squamous NSCLC who progressed after EGFR-TKI therapy. TYVYT® (sintilimab injection) is the first and the only PD-1 inhibitor for EGFR-mutated NSCLC in the NRDL. The updated NRDL (2023 version) took effect on 1 January 2024.

*Data Publication*

- In April 2023, the final analysis results of ORIENT-15, the Phase 3 study evaluating TYVYT® (sintilimab injection) in combination with chemotherapy for 1L ESCC, were released in a poster presentation at the AACR Annual Meeting 2023 (Abstract CT075).
- In April 2023, the final analysis results of ORIENT-16, the Phase 3 study evaluating TYVYT® (sintilimab injection) in combination with chemotherapy for 1L GC, were released in a poster presentation at the AACR Annual Meeting 2023 (Abstract CT078).
- In May 2023, the second interim analysis and survival analysis results of the ORIENT-31 Phase 3 study were published in *The Lancet Respiratory Medicine*. This Phase 3 study evaluated TYVYT® (sintilimab injection) with or without anti-VEGF antibody therapy BYVASDA® (bevacizumab injection) combined with chemotherapy (pemetrexed and cisplatin) in patients with EGFR-mutated non-squamous NSCLC who progressed after EGFR-TKI therapy. The first interim analysis was published in *The Lancet Oncology* in 2022.

- In December 2023, the interim analysis results of ORIENT-16 were published in *JAMA*. ORIENT-16 is the first immunotherapy Phase 3 study published in *JAMA* for the treatment of 1L GC, as well as the first immunotherapy Phase 3 in Chinese patients for the treatment of 1L GC.

- Moving forward, we continue to carry out clinical development programs for TYVYT® (sintilimab injection), as a backbone immunotherapy, in multiple clinical studies in combination with other novel modalities, such as ADCs and small molecules to overcome unmet medical needs for cancer treatment.

***BYVASDA® (bevacizumab injection)**, a fully-human anti-VEGF monoclonal antibody;*

*Approved in China for eight indications, including NSCLC, metastatic colorectal cancer, adult recurrent glioblastoma, advanced or unresectable hepatocellular carcinoma, epithelial ovarian, fallopian tube, or primary peritoneal cancer, and cervical cancer.*

*Regulatory Actions*

- In June 2023, the NMPA approved the eighth indication for BYVASDA® (bevacizumab injection) in combination with TYVYT® (sintilimab injection) and chemotherapy (pemetrexed and cisplatin) for EGFR-mutated non-squamous NSCLC after EGFR-TKI therapy.

*NRDL Coverage*

- In January 2023, a total of seven indications of BYVASDA® (bevacizumab injection) were included in the NRDL (2022 version), including three new indications for epithelial ovarian, fallopian tube, or primary peritoneal cancer, cervical cancer and hepatocellular carcinoma.

- In December 2023, BYVASDA® (bevacizumab injection) was included in the NRDL (2023 version) for its eighth aforementioned indication. The NRDL (2023 version) has taken effect since 1 January 2024.

***HALPRYZA® (rituximab injection)**: a recombinant chimeric murine/human anti-CD20 monoclonal antibody co-developed with Lilly;*

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

*NRDL Coverage*

- In January 2023, all approved indications of HALPRYZA® (rituximab injection) were included in the NRDL (2022 version), including two new indications, for the maintenance therapy for previously untreated follicular lymphoma and the treatment of chronic lymphocytic leukemia.

***SULINNO® (adalimumab injection)**: a fully-human anti-TNF-α monoclonal antibody;*

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

*NRDL Coverage*

- In January 2023, a total of eight approved indications of SULINNO® (adalimumab injection) were included in the NRDL (2022 version), including two new indications for Crohn's disease and pediatric Crohn's disease.

***PEMAZYRE® (pemigatinib)**: a potent, selective oral inhibitor of FGFR isoforms 1, 2, and 3 licensed from Incyte for development and commercialization in Greater China;*

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

*Reimbursement Coverage*

- In May 2023, PEMAZYRE® (pemigatinib) has been included in the health insurance reimbursement scheme in the Taiwan market for the treatment of adults with locally advanced or metastatic CCA with a FGFR2 fusion or rearrangement as confirmed by a validated diagnostic test that have progressed after at least one prior line of systemic therapy.

*Data Publication*

- In April 2023, the overall survival results of the Phase 2 clinical trial of pemigatinib in Chinese patients with advanced CCA were presented at the AACR Annual Meeting 2023 (Abstract CT153).

***Olverembatinib**: a novel BCR-ABL TKI co-developed and co-commercialized with Ascentage Pharma;*

*Approved in China for the treatment of adult patients with TKI-resistant CML-CP or CML-AP harboring the T315I mutation as confirmed by a validated diagnostic test; and for the treatment of patients with CML-CP who are resistant and/or intolerant of first- and second-generation TKIs.*

*Regulatory Actions*

- In November 2023, the NMPA approved olverembatinib for the treatment of adult patients with CML-CP resistant and/or intolerant of first- and second-generation TKIs.

*NRDL Coverage*

- In January 2023, olverembatinib has been included in the NRDL (2022 version) for the first time for adult patients with T315I-mutant CML-CP and CML-AP.

*Data Publication*

- In June 2023, the updated clinical results of the Phase 1b/2 of olverembatinib in patients with TKI-resistant succinate dehydrogenase (SDH)-deficient gastrointestinal stromal tumor (GIST) were released in a poster presentation at the ASCO 2023 Annual Meeting (Poster #474).

- In December 2023, the results of multiple clinical studies of olverembatinib were presented at the 65th ASH Annual Meeting. The data presented in oral reports included the latest results from a randomized, controlled registrational Phase 2 study in patients with first- and second generation TKI-resistant CML-CP and preliminary results from a Phase II study of olverembatinib combined with venetoclax chemotherapy in treatment-naive patients with Ph+ ALL.

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

*In the U.S., CYRAMZA® (ramucirumab) is the first U.S. FDA approved treatment for patients with advanced gastric cancer after prior chemotherapy, and the first U.S. FDA approved biomarker-driven therapy in patients with HCC who have an alpha fetoprotein of ≥400 ng/ml and have been treated with sorafenib.*

*In mainland China, CYRAMZA® (ramucirumab) is approved for two indications, including second-line treatment of advanced or metastatic, gastric or gastro-esophageal junction (GEJ) adenocarcinoma patients with disease progression on or after prior fluoropyrimidine- or platinum-containing chemotherapy and the treatment of HCC patients who have an alpha fetoprotein of ≥400 ng/mL and have been treated with sorafenib. In November 2022, CYRAMZA® (ramucirumab) was officially launched in the mainland China market.*

- In April 2023, *CYRAMZA®* (ramucirumab) was recommended in combination with paclitaxel for 2L treatment of advanced or metastatic GC (Level 1A evidence, Grade I recommendation) in CSCO Guidelines for GC 2023 version.

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

*In the U.S., selpercatinib (under the U.S. trade name Retevmo®) was granted accelerated approval by the U.S. FDA in May 2020 as the first treatment for adult patients with RET fusion-positive metastatic NSCLC and adult and pediatric patients aged 12 years and older with advanced or metastatic MTC carrying a RET mutation who require systemic therapy, as well as adult and pediatric patients aged 12 years and older with RET fusion-positive advanced or metastatic TC who require systemic therapy and refractory to radioiodine therapy, if applicable. In September 2022, the U.S. FDA granted accelerated approval to selpercatinib as the first and only RET inhibitor for adult patients with locally advanced or metastatic RET fusion-positive solid tumors that have progressed on or following prior systemic treatment or who have no satisfactory alternative treatment options. In addition, the FDA has granted traditional approval for selpercatinib in adult patients with locally advanced or metastatic RET fusion-positive NSCLC.*

*In mainland China, Retsevmo® (selpercatinib) is conditionally approved for the treatment of adult patients with locally advanced or metastatic NSCLC with a RET gene fusion, adult and pediatric patients 12 years of age and older with advanced or metastatic MTC with a RET mutation who require systemic therapy, and adult and pediatric patients 12 years of age and older with advanced or metastatic TC with a RET gene fusion who require systemic therapy and who are radioactive iodine-refractory (if radioactive iodine is appropriate). In March 2023, Retsevmo® (selpercatinib) was officially launched in the mainland China market.*

- In April 2023, Retsevmo® (selpercatinib) was recommended for the treatment of locally advanced or metastatic NSCLC with a RET gene fusion (Level 3A evidence, Grade I recommendation) in CSCO Guidelines for NSCLC 2023 version.

- In September 2023, Retsevmo® (selpercatinib) Phase 3 results for 1L RET fusion-positive NSCLC and RET-mutant MTC were simultaneously published in the *New England Journal of Medicine (NEJM)* and presented at the ESMO Congress in a Presidential Symposium.

***FUCASO® (Equecabtagene Autoleucel)**: a fully-human BCMA-directed CAR-T cell therapy, co-developed with IASO Bio;*

*Approved in China for adult patients with RRMM who have received at least three prior lines of therapy, including a proteasome inhibitor and an immunomodulatory agent.*

*Regulatory Actions*

- In June 2023, FUCASO® (Equecabtagene Autoleucel) was approved by the NMPA for the treatment of adult patients with RRMM who have received at least three prior lines of therapy, including a proteasome inhibitor and an immunomodulatory agent. FUCASO® (Equecabtagene Autoleucel) is the first fully-human CAR-T approved in China.

*Data Publication*

- In June 2023, the updated long-term follow-up results from the Phase 1b/2 study (FUMANBA-1) of Equecabtagene Autoleucel for the treatment of RRMM were presented at the ASCO Annual Meeting 2023.
- In September 2023, the updated long-term follow-up data from two studies for BCMA CAR-T Equecabtagene Autoleucel: (1) Results from Phase 1b/2 study (FUMANBA-1) in patients with RRMM and (2) A model to predict the risk of prolonged thrombocytopenia recovery in RRMM patients after anti-BCMA CAR-T treatment, were presented at the 2023 International Myeloma Society (IMS) Annual Meeting.
- In November 2023, the latest analysis results from the FUMANBA-1 study of Equecabtagene Autoleucel for the treatment of RRMM were presented at the 65th ASH Annual Meeting. The presentation highlights the characteristics and efficacy of Equecabtagene Autoleucel on RRMM patients who had sustained minimal residual disease (MRD) negativity after receiving treatment.

***SINTBILO®* (*tafolecimab injection*):** *a novel fully-human anti-PCSK-9 monoclonal antibody;*

*Approved in China for the treatment of adult patients with primary hypercholesterolemia (including heterozygous familial and non-familial hypercholesterolemia) and mixed dyslipidemia who have failed to achieve lipid-lowering goals by using moderate or higher doses of statins with or without other lipid-lowering agents.*

*Regulatory Actions*

- In August 2023, SINTBILO® (tafolecimab injection) was approved by the NMPA for the treatment of adult patients with primary hypercholesterolemia (including heterozygous familial and non-familial hypercholesterolemia) and mixed dyslipidemia who have failed to achieve lipid-lowering goals by using moderate or higher doses of statins with or without other lipid-lowering agents. It is the first domestic anti-PCSK-9 monoclonal antibody approved in China.

*Data Publication*

- In July 2023, the results from the Phase 3 clinical trial (CREDIT-4) of tafolecimab in Chinese patients with hypercholesterolemia were published in *JACC:Asia*.
- In November 2023, the results from the Phase 3 clinical trial (CREDIT-1) of tafolecimab in Chinese subjects with non-familial hypercholesterolemia were published in *The Lancet Regional Health-Western Pacific*.

## NDA and Late-stage Drug Candidates

Currently, three assets are undergoing NDA review process and five candidates are under or preparing for registrational or pivotal clinical studies.

## NDA and Late-stage Drug Candidates – Oncology

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

***IBI351 (fulzerasib):*** *a novel KRAS G12C inhibitor in-licensed from GenFleet Therapeutics (Shanghai) Inc. (Genfleet R&D code: GFH925) for the development and commercialization in Greater China.*

*Regulatory Actions*

- In November 2023, the NMPA accepted the NDA and granted Priority Review Designation for IBI351 monotherapy in patients with previously treated advanced NSCLC harboring KRAS G12C mutation who have received at least one systemic therapy.

*Clinical Development Milestones*

- We plan to initiate a Phase 3 clinical trial to investigate IBI351 in combination with sintilimab in patients with previously untreated advanced NSCLC harboring KRAS G12C mutation.

*Data Publication*

- In April 2023, the updated results of the Phase 1 study of IBI351 as monotherapy in patients with previously treated advanced NSCLC harboring KRAS G12C mutation were presented at the AACR 2023.
- In June 2023, the preliminary results from a pooled analysis of two Phase 1 studies of IBI351 as monotherapy in patients with metastatic CRC harboring KRAS G12C mutation were presented at the ASCO Annual Meeting 2023.
- In December 2023, updated results from the Phase 2 pivotal study for IBI351 for previously treated KRAS G12C-muted NSCLC were presented at ESMO Asia 2023.
- In 2024, we plan to release data from the Phase 2 pivotal study for IBI351 for previously treated KRAS G12C-muted NSCLC at an upcoming medical conference.

*Other Updates*

- In June 2023, we entered into a clinical trial collaboration and supply agreement with Merck KGaA for the combination therapy of IBI351 with cetuximab (ERBITUX®) for KRAS G12C-muted NSCLC in a Phase 1b study in China.

***IBI344 (taletrectinib)**: a novel next-generation ROS1 TKI in-licensed from AnHeart Therapeutics (AnHeart R&D code: AB-106) for the co-development and commercialization in Greater China.*

*Regulatory Actions*

- In the fourth quarter of 2023, the NMPA accepted the NDA and granted Priority Review Designation of taletrectinib for the treatment of adult patients with locally advanced or metastatic ROS1-positive NSCLC who have been previously treated with ROS1 TKIs.
- In March 2024, the NMPA accepted the NDA of taletrectinib for the 1L treatment of adult patients with locally advanced or metastatic ROS1-positive NSCLC who have not been previously treated with ROS1 TKIs.

*Data Publication*

- In March 2023, updated efficacy and safety data from a pivotal Phase 2 clinical trial of taletrectinib (TRUST-I) in patients with ROS1-positive NSCLC were reported in an oral presentation at the European Lung Cancer Congress (ELCC) 2023.
- In 2024, updated data from TRUST-I is planned to be presented at an upcoming medical conference.

***IBI310:** an anti-CTLA-4 monoclonal antibody*

*Clinical Development Milestones*

- We initiated a Phase 3 clinical trial of IBI310 in combination with sintilimab for resectable MSI-H/dMMR colon cancer neoadjuvant therapy and dosed the first patient in March 2024.

*Data Publication*

- In 2024, we plan to release PoC data from a Phase 1b clinical trial of IBI310 in patients with neoadjuvant colon cancer at an upcoming conference.

***IBI343:*** *a potential best-in-class recombinant anti-CLDN18.2 ADC*

*Clinical Development Milestones*

- In 2023, we obtained positive PoC data of IBI343 in Phase 1b clinical trial in patients with 3L GC.
- We are preparing a multi-regional Phase 3 clinical trial of IBI343 monotherapy in patients with 3L GC subject to the regulatory communications.
- We initiated and will continue to follow IBI343 in Phase 1b PoC study in patients with PDAC.
- We will explore PoC studies combining sintilimab and IBI343 in 1L treatment of GC and combining ramucirumab and IBI343 in 2L treatment of GC.

*Data Publication*

- We will present the preclinical results of IBI343 at the 2024 AACR Annual Meeting as "Late-Breaking Research" in April 2024.
- In 2024, we will present Phase 1b PoC data of IBI343 in patients with 3L GC, and preliminary PoC data in patients with PDAC at upcoming conferences.

## NDA and Late-stage Drug Candidates – General Biomedicine

***IBI362 (mazdutide)****: a GLP-1R/GCGR dual agonist in-licensed from Lilly, potential best-in-class NDA-stage drug candidate for T2D and obesity.*

*Regulatory Actions*

- **Obesity or overweight:** In February 2024, the NMPA accepted the first NDA of mazdutide for chronic weight management in adults with obesity or overweight. Mazdutide is the first GLP-1R/GCGR dual agonist to successfully complete Phase 3 trial (GLORY-1) in support of an NDA submission.
- **T2D:** In 2024, we plan to submit a new NDA of mazdutide for T2D treatment based on results from Phase 3 clinical trials DREAMS-1 and DREAMS-2.

*Clinical Development Milestone*

*Five Phase 3 clinical trials of mazdutide in Chinese adults with overweight or obesity (GLORY-1 and GLORY-2) and T2D subjects (DREAMS-1, DREAMS-2 and DREAMS-3) and other clinical trials are underway.*

- **GLORY-1 (Obesity or overweight)**: In January 2024, we announced that the first Phase 3 clinical trial of mazdutide (GLORY-1) in Chinese adults with obesity or overweight met the primary endpoints and all secondary endpoints.
- **GLORY-2 (Obesity):** In January 2024, we dosed the first participant in a Phase 3 clinical trial (GLORY-2) of mazdutide (higher dose 9 mg) in Chinese adults with obesity.
- **DREAMS-1 (T2D):** In January 2023, we dosed the first patient in a Phase 3 clinical trial (DREAMS-1) of mazdutide in Chinese patients with T2D inadequately controlled by diet and exercise alone. We completed the subject enrollment in 2023 and expect Phase 3 data readout in 2024.
- **DREAMS-2 (T2D):** In January 2023, we dosed the first patient in a Phase 3 clinical trial (DREAMS-2) of mazdutide in Chinese patients with T2D who have inadequate glycemic control with metformin monotherapy or combination therapy of metformin with SGLT2 inhibitors or sulfonylureas. We completed the subject enrollment in 2023 and expect Phase 3 data readout in 2024.
- **DREAMS-3 (T2D):** We initiated the Phase 3 clinical trial comparing mazdutide head-to-head with semaglutide in Chinese T2D patients with obesity, and dosed the first patient in February 2024.

- **Phase 2 clinical trial of mazdutide 9mg in Chinese adults with obesity:** The Phase 2 clinical trial of mazdutide higher dose 9mg in Chinese adults with obesity met its endpoint in 2023. Mazdutide 9mg achieved placebo-adjusted mean percent change in body weight from baseline -18.6% (-17.8 kg) after 48 weeks of treatment, along with a series improvement of cardiometabolic indicators and favorable safety profile.

- **Chinese adolescents with obesity**: In 2024, we plan to initiate a Phase 1 clinical trial of mazdutide in Chinese adolescents with obesity.

*Data Publications*

- In July 2023, the results of the preclinical study on the reduction of serum uric acid level by mazdutide were published in a LBA (# 77-LB) at the American Diabetes Association (ADA) 83rd Scientific Sessions as one of the 20 Chinese preclinical studies selected for presentation.

- In November 2023, full results from a Phase 2 clinical trial of mazdutide in Chinese patients with T2D were published in *Diabetes Care*.

- In December 2023, full results of a Phase 2 clinical trial of mazdutide in Chinese patients with overweight or obesity were published in *Nature Communications*.

- In 2024, we plan to obtain data from Phase 3 trials DREAMS-1, DREAMS-2, and publish full results from Phase 3 trial GLORY-1, and Phase 2 trial of mazdutide 9mg in Chinese adults with obesity.

***IBI311:*** *a recombinant IGF-1R monoclonal antibody*

*Regulatory Actions*

- We plan to submit the NDA of IBI311 for TED to the NMPA in 2024.

*Clinical Development Milestones*

- In May 2023, we dosed the first patient in the Phase 3 clinical trial (RESTORE-1) of IBI311 in patients with TED and have completed the subject enrollment.

- In February 2024, the Phase 3 study of IBI311 (RESTORE-1) met the primary endpoint in improving proptosis in patients with TED.

*Data Publications*

- In early 2024, we published the results of the Phase 1 and Phase 2 clinical trials of IBI311 in patients with TED in oral presentation at the 39th Asia Pacific Academy of Ophthalmology (APAO) Congress and the 21st International Congress of Endocrinology (ICE), respectively.

- In 2024, we plan to publish the results of the Phase 3 clinical trial (RESTORE-1) in patients with TED.

***IBI112 (picankibart)****: a novel long-acting anti-IL-23 (p19 subunit) monoclonal antibody.*

*Regulatory Actions*

- We plan to obtain the results of the Phase 3 clinical trial (CLEAER) and submit the NDA of IBI112 for psoriasis to the NMPA in 2024.

*Clinical Development Milestones*

- In February 2023, we dosed the first patient in the Phase 3 clinical trial (CLEAR) of IBI112 in patients with moderate-to-severe plaque psoriasis. We completed the subject enrollment in 2023 and the treatment period is 68 weeks. In 2024, we will obtain results of the Phase 3 clinical trial CLEAR.

- The Phase 2 clinical trial of IBI112 for patients with ulcerative colitis is ongoing.

*Data Publications*

- In 2024, we plan to publish the results from Phase 3 CLEAR in psoriasis.

***IBI302 (efdamrofusp alfa)***: *a potential first-in-class anti-VEGF/complement bispecific fusion protein;*

*Clinical Development Milestones*

- In 2023 and early 2024, different doses of IBI302 (2mg/4mg/6.4mg/8mg) met its primary endpoints in two Phase 2 clinical studies in the treatment of nAMD, respectively. The combined results of the two Phase 2 clinical studies suggest that IBI302 can be administrated in long-interval, and provide a stable visual benefit and anatomic improvements, as well as potential inhibition effect in macular atrophy.
- In October 2023, we dosed the first patient in the Phase 3 clinical trial (STAR) of 8mg IBI302 in nAMD.

*Data Publications*

- In November 2023, the Phase 2 results of 2mg/4mg IBI302 were presented at the American Academy of Ophthalmology (AAO) 2023 Annual Meeting.
- In 2024, we plan to publish full results of the Phase 2 of 6.4mg/8mg IBI302 in nAMD.

## Selected Drug Candidates at Phase 1/2 Stages

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

## Selected Drug Candidates in Phase 1/2 Stages – Oncology

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

***IBI363:*** *a potential first-in-class PD-1/IL-2 bispecific antibody fusion protein*

*Clinical Development Milestones*

- During 2023, we continued to explore IBI363 in Phase 1 and PoC clinical trials for patients with advanced solid tumors in Australia and China. We observed preliminary encouraging safety and efficacy data of IBI363 in IO-resistant and unresponsive tumor types such as melanoma, lung cancer, and CRC.
- In early 2024, we received IND approval from the U.S. FDA. We plan to initiate a Phase 2 clinical trial of IBI363 for patients with multiple cancer types in the U.S. in 2024.
- In 2024, we will continue to follow up with the aforementioned PoC studies of IBI363 and obtain updated results.

*Data Publication*

- In August 2023, the preclinical results of IBI363 were published in *Nature Cancer*.
- In 2024, we plan to publish data from the Phase 1 and ongoing PoC clinical trials of IBI363 in patients with IO-resistant and unresponsive cancers such as melanoma, lung cancer, and CRC at upcoming conferences.

***IBI389:*** *a novel CLDN18.2/CD3 bispecific antibody*

*Clinical Development Milestones*

- In 2023 and 2024, we continue to explore IBI389 in Phase 1 and PoC clinical trials in patients with CLDN18.2-positive PDAC.

*Data Publication*

- In 2024, we plan to present preliminary data from Phase 1 and PoC clinical trials of IBI389 in patients with CLDN18.2-positive PDAC at upcoming conferences.

***IBI334:*** *a potential first-in-class EGFR/B7H3 bispecific antibody*

*Clinical Development Milestones*

- In November 2023, we dosed the first patient in a Phase 1 clinical trial of IBI334 in patients with advanced solid tumors in Australia and China.
- In 2023 and 2024, we continue to explore IBI334 in Phase 1 and PoC clinical trials in patients with advanced solid tumors.

*Data Publication*

- The preclinical results of IBI334 will be presented at the 2024 AACR Annual Meeting as "Late-Breaking Research".

In 2024, we will keep advancing a compelling set of novel molecules with global potential at early clinical phase and first-in-human clinical trials, including multi-specific antibody and ADC programs in difficult-to-treat cancers, such as IBI3001 (EGFR/B7H3 ADC), IBI3003 (GPRC5D/BCMA/CD3), IBI3004 (CEA/DR5), IBI115 (DLL3/CD3), IBI129 (B7H3 ADC), IBI130 (TROP2 ADC) and IBI133 (HER3 ADC). Additional projects from next-generation technology platforms such as bispecific ADC are also on the horizon.

## Selected Drug Candidates in Phase 1/2 Stages – General Biomedicine

***IBI128 (Tigulixostat)*****:** *a late-stage novel non-purine XOI for the chronic management of hyperuricemia in patients with gout disease; in-licensed from LG Chem for the development and commercialization in China. LG Chem has initiated multi-regional global Phase 3 clinical trials for Tigulixostat in the fourth quarter of 2022.*

*Clinical Development Milestones*

- In 2023, our partner LG Chem was continuing the overseas Phase 3 MRCT clinical trials of Tigulixostat in hyperuricemia patients with gout disease. Tigulixostat has shown superior efficacy in uric acid reduction and good safety profile in previous Phase 2 clinical trial.
- In 2024, we will initiate Phase 1 and Phase 2 clinical trials of Tigulixostat in China. We develop Tigulixostat in China in pace with the global registration progress of the asset.

***IBI353 (orismilast):*** *a potent and selective, next-generation PDE4B/D inhibitor with broad anti-inflammatory properties in-licensed from UNION.*

*Clinical Development Milestones*

- In January 2023, UNION announced positive topline results of the Phase 2b ex-China trial of oral orismilast in patients with moderate-to-severe psoriasis.
- In the first half of 2024, UNION plans to announce topline results from a Phase 2b ex-China trial of orismilast in patients with moderate-to-severe AD.

***IBI355:*** *a potential best-in-class anti-CD40L monoclonal antibody*

*Clinical Development Milestones*

- In October 2023, we dosed the first patient in the Phase 1 clinical trial of IBI355 in healthy volunteer.
- In 2024, we will continue to explore IBI355 in selected indications such as primary Sjögren's syndrome (pSS) and systemic lupus erythematosus (SLE) in adults.

***IBI356:*** *a potential best-in-class anti-OX40L monoclonal antibody*

*Clinical Development Milestones*

- In January 2024, we dosed the first patient in the Phase 1 clinical trial of IBI356 in healthy volunteer.
- In 2024, we will continue to explore IBI356 in selected indications such as moderate-to-severe AD.

***IBI3002:*** *a first-in-class bispecific antibody targeting cell surface IL-4Rα and the alarmin cytokine TSLP*

*Clinical Development Milestones*

- In February 2024, we dosed the first patient in the Phase 1 clinical trial of IBI3002 in healthy participants and participants with asthma.

Besides, we continued to develop other early stage assets such as IBI324 (VEGF-A/ANG-2) and IBI333 (VEGF-A/VEGF-C). In 2024, based on strategically increased investment in general biomedicine franchise, we have an increasing number of projects across novel modalities entering into IND-enabling and first-in-human stages, such as IBI3016 (AGT siRNA), IBI3002 (IL-4Rα/TSLP) and GLP-1 based next-generation project, unlocking the global market potential for the Company in the years ahead.

**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.

## Strategic Collaboration with Partners and Other Corporate Development

- In June 2023, we entered into clinical trial collaboration with Merck KGaA investigating combination therapy of IBI351 (KRAS G12C Inhibitor) and cetuximab (ERBITUX® (cetuximab)) for KRAS G12C-mutated NSCLC in China. Under the agreement, we will conduct a Phase 1b study to evaluate the anti-tumor activity and safety of the combination therapy of IBI351 with cetuximab in Chinese patients with advanced or metastatic NSCLC harboring KRAS G12C mutation. Merck KGaA will provide clinical drug supplies of cetuximab in this multi-center trial in China. Cetuximab as a monotherapy or as a combination therapy has not been approved in any country for patients with advanced NSCLC.
- In June 2023, we entered into clinical trial collaboration with RemeGen investigating therapies of TYVYT® (sintilimab injection) with RC88, a novel MSLN-targeting ADC, or RC108, a novel c-Met-targeting ADC, respectively, as potential treatment options for advanced solid tumors in China. Under the agreement, we will provide clinical drug supplies of TYVYT® (sintilimab injection) during the clinical trial collaboration. RemeGen will conduct Phase 1/2a clinical trials to evaluate the anti-tumor activity and safety of the combination therapy of TYVYT® (sintilimab injection) with RC88 or RC108 in Chinese patients with advanced solid tumors.
- In December 2023, we expanded ADC collaboration with Synaffix. Under the terms of the expanded agreement, we will focus on the development of at least one new ADC candidate, building on Synaffix's ADC technology to enable best-in-class efficacy and tolerability for ADCs. We will be responsible for the research, development, manufacturing and commercialization of new ADC candidates. Synaffix is eligible to receive an upfront payment plus potential milestone payments and royalties on commercial sales for each licensed target.

- In December 2023, we entered into a collaboration agreement with SanegeneBio USA Inc. (SanegeneBio) to co-develop SGB-3908 (Innovent R&D code: IBI3016), a siRNA drug candidate targeting AGT for the treatment of hypertension. Under the terms of the agreement, both parties will be jointly responsible for the development of SGB-3908 to a certain stage. We also obtained an exclusive option to pay different option exercise fees to license in the exclusive development, manufacturing and commercialization rights of SGB-3908 in different areas worldwide. After we exercise the option, SanegeneBio will be eligible to receive subsequent milestone payments, as well as tiered royalties based on net sales.

- In December 2023, we entered into clinical trial collaboration with Xuanzhu Biopharma investigating combination therapy of TYVYT® (sintilimab injection) and KM-501, a novel HER-2 bispecific ADC, for advanced solid tumors in China. Under the agreement, we will provide clinical drug supplies of TYVYT® (sintilimab injection) during the clinical trial collaboration. Xuanzhu Biopharma will conduct a Phase 1b clinical trial to evaluate the anti-tumor activity and safety of the combination therapy of TYVYT® (sintilimab injection) with KM-501 in Chinese patients with advanced solid tumors.

- In February 2024, we entered into a clinical trial collaboration and supply agreement with ImmVirX to evaluate the combination therapy of TYVYT® (sintilimab injection) with ImmVirX's investigational oncolytic virus IVX037. Under the agreement, we will provide clinical drug supplies of TYVYT® (sintilimab injection) during the clinical trial collaboration. ImmVirX will conduct a multi-center Phase 1b clinical trial in Australia, to evaluate the anti-tumor activity and safety of the combination therapy of intratumorally administered IVX037 in combination with intravenously injected sintilimab in patients with advanced colorectal, ovarian and gastric cancer.

- In February 2024, we appointed Dr. Shun Lu as an independent non-executive Director and a member of the Strategy Committee. Dr. Shun Lu has over 30 years of experience in the medical and pharmaceutical industry, which will contribute to the implementation of the Company's strategic objective and mission of innovation through globalization.

- During the Reporting Period, our production capacity of 140,000L in operation guaranteed sufficient capacity to be commensurate with our growing and mature drug pipeline and to support our continued business expansions. In particular, the large-scale stainless-steel bioreactors have provided market competitive cost advantages for the production of antibody drugs.

- We have been continually improving ESG management in the aspects of "Excellent Governance", "Enjoying Good Health", "High Quality as Key", "People First" and "Green Ecology", which are aligned with the sustainable development goals (SDGs) of the United Nations. In November 2023, the Company has been upgraded to 'A' according to MSCI's latest ESG rating, ranking at the forefront of the biotechnology industry.

## Financial Review

### IFRS Measure:

#### Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Revenue from contracts with customers | **6,206,070** | 4,556,380 |
| Cost of sales | **(1,136,266)** | (930,990) |
| Gross profit | **5,069,804** | 3,625,390 |
| Other income | **552,350** | 279,735 |
| Other gains and losses | **81,164** | 774,340 |
| Research and development expenses | **(2,227,556)** | (2,871,220) |
| Administrative and other expenses | **(750,278)** | (835,488) |
| Selling and marketing expenses | **(3,100,693)** | (2,590,765) |
| Royalties and other related payments | **(670,578)** | (450,763) |
| Finance costs | **(98,624)** | (101,698) |
| Loss before tax | **(1,144,411)** | (2,170,469) |
| Income tax credit (expense) | **116,498** | (8,801) |
| Loss for the year | **(1,027,913)** | (2,179,270) |
| Other comprehensive income (expense) | | |
| *Item that will not be reclassified to profit or loss* | | |
| Fair value gain (loss) on investment in equity instruments at FVTOCI | **15,731** | (876) |
| *Item that may be reclassified subsequently to profit or loss* | | |
| Exchange differences arising on translation of foreign operations | **(1,660)** | (20,446) |
| Other comprehensive income (expense) for the year, net of income tax | **14,071** | (21,322) |
| Total comprehensive expense for the year | **(1,013,842)** | (2,200,592) |
| ***Non-IFRS measure:*** | | |
| Adjusted total comprehensive expense for the year | **(500,469)** | (2,483,156) |

## 1. Revenue

For the year ended 31 December 2023, the Group generated revenue from contracts with customers of RMB6,206.1 million. The Group generated revenue from (i) sales of pharmaceutical products; (ii) license fee income; and (iii) R&D service fee income. The following table sets forth the components of the revenue from contracts with customers for the years presented:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Revenue from contracts with customers: | | |
| Sales of pharmaceutical products | **5,728,314** | 4,139,084 |
| License fee income | **447,429** | 417,055 |
| R&D service fee income | **30,327** | 241 |
| Total revenue from contracts with customers | **6,206,070** | 4,556,380 |

During the year ended 31 December 2023, the Group recorded revenue from sales of pharmaceutical products of RMB5,728.3 million, as compared with RMB4,139.1 million for the year ended 31 December 2022.

During the year ended 31 December 2023, the Group recorded license fee income of RMB447.4 million, as compared with RMB417.1 million for the year ended 31 December 2022. Under the Exclusive License and Collaboration Agreement for China and Co-Development Agreement entered into between the Group and Lilly in March 2015 on the products of TYVYT® (sintilimab injection) and HALPRYZA® (rituximab injection), the Group received collaboration payments and started to recognize revenue at the commercialization stage of relevant products. During the years ended 31 December 2023 and 2022, such license fee income recorded were RMB442.3 million and RMB396.8 million, respectively. Meanwhile, the Group recognized a one-time license fee income of RMB5.1 million for the year ended 31 December 2023, as compared with RMB20.3 million for the year ended 31 December 2022.

In addition, the Group continued to provide R&D services to customers. During the year ended 31 December 2023, the Group generated R&D service revenue of RMB30.3 million, while RMB0.2 million was recorded for the year ended 31 December 2022.

## 2. Cost of Sales

The Group's cost of sales consists of raw material, direct labor, manufacturing cost and manufacturing overhead related to the production of the products sold, as well as inventory impairment loss and amortization of development cost for products at commercialization stage. During the year ended 31 December 2023, the Group recorded cost of sales of RMB1,136.3 million, as compared with RMB931.0 million for the year ended 31 December 2022.

### 3. Other Income

The Group's other income consists of interest income and government grants income. Government grants income consists of (i) government subsidies specifically for the capital expenditure related to the purchase of plant and machinery, which are recognized over the useful life of related assets; (ii) incentive and other subsidies for R&D activities, which are recognized upon compliance with certain conditions; and (iii) incentive which has no specific conditions attached to the grants.

For the year ended 31 December 2023, other income increased by RMB272.7 million to RMB552.4 million, from RMB279.7 million for the year ended 31 December 2022. The increase was primarily due to more interest income we generated for the year ended 31 December 2023.

### 4. Other Gains and Losses

The Group's other gains and losses primarily 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 FVTPL); (iii) gain or loss from disposal of other financial assets measured at FVTPL; and (iv) gain or loss on disposal of property, plant and equipment.

For the year ended 31 December 2023, other gains and losses of the Group were a gain of RMB81.2 million compared to a gain of RMB774.3 million for the year ended 31 December 2022, primarily impacted by change in foreign currency exchange rates. The net foreign exchange gains or losses were non-cash in nature and recorded a gain of RMB60.8 million and RMB752.1 million for the years ended 31 December 2023 and 2022, respectively.

### 5. R&D Expenses

The Group's R&D expenses incurred in performing research and development activities, including but not limited to third-party contracting cost, clinical trial expenses, raw material cost, compensation and benefits, initial and in-process cost and subsequent milestone payment under collaboration or license agreements incurred prior to regulatory approval, and depreciation and amortization.

For the years ended 31 December 2023 and 31 December 2022, the Group incurred R&D expenses of RMB2,227.6 million and RMB2,871.2 million, respectively.

### 6. Administrative and Other Expenses

For the year ended 31 December 2023, administrative and other expenses of the Group were RMB750.3 million as compared with RMB835.5 million for the year ended 31 December 2022. The Group continues to manage and improve efficiency of resource utilization, as well as benefiting from the fast ramp-up revenue, the ratio of administrative and other expenses to total revenue decreased by 6.2 percentage points from 18.3% for the year ended 31 December 2022 to 12.1% for the year ended 31 December 2023.

### 7. Selling and Marketing Expenses

Selling and marketing expenses include compensation and benefits for selling and marketing personnel and related expenses of marketing and promotion activities.

Selling and marketing expenses were RMB3,100.7 million for the year ended 31 December 2023, as compared with RMB2,590.8 million for the year ended 31 December 2022. The Group has devoted continuous efforts in enhancing productivity and efficiency under a healthy and sustainable operation model, which could further support the Group's sustainable growth.

## 8. Royalties and Other Related Payments

Royalties and other related payments were RMB670.6 million for the year ended 31 December 2023, as compared with RMB450.8 million for the year ended 31 December 2022. This represents the royalties, sales-based milestones, profit sharing, as well as other related payments to third parties for various co-development and in-licensing products.

## 9. Income Tax Credit (Expense)

Income tax credit was RMB116.5 million for the year ended 31 December 2023, as compared with an expense of RMB8.8 million for the year ended 31 December 2022. This increase was mainly attributable to the recognition of a tax refund for income tax withheld in 2020 from license fee income with a USA based customer.

## 10. Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Group also uses adjusted gross profit, adjusted R&D expenses, adjusted administrative and other expenses, adjusted selling and marketing expenses, adjusted LBITDA and adjusted loss 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 the IFRS. The Group's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Group believes that this 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 Group to Group to the extent applicable.

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

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Gross profit** | **5,069,804** | 3,625,390 |
| Added: | | |
| Share-based compensation expenses | **71,844** | 56,910 |
| **Adjusted gross profit** | **5,141,648** | 3,682,300 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **R&D expenses** | **(2,227,556)** | (2,871,220) |
| Added: | | |
| Share-based compensation expenses | **252,623** | 206,512 |
| **Adjusted R&D expenses** | **(1,974,933)** | (2,664,708) |

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Administrative and other expenses** | **(750,278)** | (835,488) |
| Added: | | |
| Share-based compensation expenses | **206,519** | 193,676 |
| **Adjusted administrative and other expenses** | **(543,759)** | (641,812) |

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 | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Selling and marketing expenses** | **(3,100,693)** | (2,590,765) |
| Added: | | |
| Share-based compensation expenses | **43,211** | 12,392 |
| **Adjusted selling and marketing expenses** | **(3,057,482)** | (2,578,373) |

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **LBITDA** | **(1,113,521)** | (1,938,886) |
| Added: | | |
| Share-based compensation expenses | **574,197** | 469,490 |
| Net foreign exchange gains | **(60,824)** | (752,054) |
| **Adjusted LBITDA** | **(600,148)** | (2,221,450) |

The table below sets forth a reconciliation of the loss for the year to adjusted loss for the year for the years:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Loss for the year** | **(1,027,913)** | (2,179,270) |
| Added: | | |
| Share-based compensation expenses | **574,197** | 469,490 |
| Net foreign exchange gains | **(60,824)** | (752,054) |
| **Adjusted loss for the year** | **(514,540)** | (2,461,834) |

### Selected Data from Statement of Financial Position

| | As at 31 December 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|
| Total current assets | **13,427,985** | 11,506,708 |
| Total non-current assets | **7,199,375** | 6,082,137 |
| **Total assets** | **20,627,360** | 17,588,845 |
| Total current liabilities | **4,476,816** | 3,499,198 |
| Total non-current liabilities | **3,622,963** | 3,359,698 |
| **Total liabilities** | **8,099,779** | 6,858,896 |
| **Net current assets** | **8,951,169** | 8,007,510 |

## 11. Liquidity and Source of Funding and Borrowing

As at 31 December 2023, the Company's bank balances and cash and current portion of other financial assets increased to RMB10,969.6 million from RMB9,166.0 million as at 31 December 2022. The increase primarily resulted from the placement of new shares for approximately RMB2,163.0 million in September 2023.

As at 31 December 2023, the current assets of the Company were RMB13,428.0 million, including bank balances and cash of RMB10,052.1 million and current portion of other financial assets of RMB917.5 million. As at 31 December 2023, the current liabilities of the Company were RMB4,476.8 million, including trade and bills payables of RMB372.5 million, other payables and accrued expenses of RMB2,467.8 million, contract liabilities of RMB416.2 million, borrowings of RMB1,195.2 million and lease liabilities of RMB25.1 million.

As at 31 December 2023, the Company had available unutilised long-term bank loan facilities of approximately RMB2,620.0 million.

## 12. Key Financial Ratios

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

| | As at 31 December 2023 | As at 31 December 2022 |
|---|---|---|
| Current ratio[1] | **3.0** | 3.3 |
| Quick ratio[2] | **2.8** | 2.9 |
| Gearing ratio[3] | **NM[4]** | NM[4] |

Notes:

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

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

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

4 Gearing ratio is not meaningful as our interest-bearing borrowings less cash equivalents was negative.

## 13. Significant Investments

The Company did not hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as of 31 December 2023) during the year ended 31 December 2023.

## 14. Material Acquisitions and Disposals

The Company did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2023.

## 15. Future Plans for Material Investments or Capital Assets

As at 31 December 2023, the Company did not have detailed future plans for material investments or capital assets.

## 16. Pledge of Assets

As at 31 December 2023, the Company had a total of RMB1,804.9 million of property, plant and equipment, RMB275.6 million of land use rights and RMB849.8 million of bank deposits pledged to secure its loans and banking facilities.

## 17. Contingent Liabilities

As at 31 December 2023, the Company did not have any material contingent liabilities.

## 18. Foreign Exchange Exposure

During the year ended 31 December 2023, a majority of the Company's transactions were settled in Renminbi (RMB), the functional currency of the Company's primary subsidiaries. As at 31 December 2023, a significant amount of the Company'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 Company did not have significant foreign currency exposure from its operations as at 31 December 2023.

# Report of Directors

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended 31 December 2023.

## Directors

The Directors who held office during the year ended 31 December 2023 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

### Independent Non-Executive Directors:

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen
Mr. Gary Zieziula
Dr. Shun Lu *(appointed on 9 February 2024)*

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 73 to 78 of this annual report.

## General Information

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

## Principal Activities

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

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

## Results

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 102 of this annual report.

## Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. All the review, discussions and analysis mentioned above form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the sections headed "Post-Reporting (Expected) Milestones and Achievements" under "Management Discussion and Analysis" and "Important Events After the Reporting Period" in this annual report. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the "Environmental, Social and Governance Report" to be published on the same day with this annual report.

## Principal Risks and Uncertainties

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

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

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

## Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For more details, please refer to the Company's 2023 ESG Report.

## Compliance with the Relevant Laws and Regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## Employee and Remuneration Policies

As at 31 December 2023, the Group had 4,872 employees (as at 31 December 2022: 5,294 employees), including nearly 1,000 people from R&D, nearly 800 from CMC, and nearly 3,000 from selling and marketing. The Group believes in the importance of recruitment and retention of quality employees in achieving the Group's success. Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees employed by the Group varies from time to time depending on the business need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

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

The Company also adopted the Pre-IPO Plan, the Post-IPO ESOP, the 2018 RS Plan and the 2020 RS Plan to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information – D. Equity Plan" in Appendix IV to the prospectus of the Company dated 18 October 2018 for further details of the Pre-IPO Plan, the Post-IPO ESOP and the 2018 RS Plan and the circular of the Company dated 28 May 2020 for further details of the 2020 RS Plan, the termination of the 2018 RS Plan and the survival of the restricted shares granted or earmarked pursuant to the 2018 RS Plan. The 2020 RS Plan succeeded the 2018 RS Plan.

The total remuneration cost incurred by the Group for the year ended 31 December 2023 was RMB2,744.0 million, as compared to RMB2,649.6 million for the year ended 31 December 2022.

During the year ended 31 December 2023, the Group did not experience any significant labor disputes or any difficulty in recruiting employees.

## Major Customers and Suppliers

### Major Customers

During the year ended 31 December 2023, the Group derived all of its revenues from (i) sales of pharmaceutical products; (ii) license fee income; and (iii) R&D service fee income. For the year ended 31 December 2023, revenue from the five largest customers accounted for 60.8% (2022: 64.6%) of the Group's total revenue and the Group's largest customer for the year ended 31 December 2023 accounted for approximately 53.1% (2022: 56.6%) 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 2023, purchases from the Group's five largest suppliers accounted for approximately 53.2% (2022: 50.8%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended 31 December 2023 accounted for approximately 26.2% (2022: 14.6%) 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 2023, 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 198 to 199 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 2023 are set out in Note 14 to the consolidated financial statements.

## Share Capital and Shares Issued

On 12 September 2023, the Company and Morgan Stanley Asia Limited as placing agent, entered into a placing agreement, pursuant to the placing of 68,000,000 placing Shares at the placing price of HK$34.92 per placing share on the terms and subject to the conditions set out in the placing agreement. The 2023 Placing was completed on 19 September 2023. The net proceeds raised from the 2023 Placing were approximately HK$2,356.8 million. For further details, please refer to the announcements of the Company dated 12 and 19 September 2023 (the "**2023 Placing Announcements**") and the "Use of Net Proceeds from the 2023 Placing" section of this annual report.

Details of movements in the share capital of the Company for the year ended 31 December 2023 and details of the Shares issued during the year ended 31 December 2023 are set out in Note 31 to the consolidated financial statements.

## Donation

During the year ended 31 December 2023, the Group made charitable donations of approximately RMB154.7 million (2022: approximately RMB247.2 million).

## Debenture Issued

The Group did not issue any debenture during the year ended 31 December 2023.

## Equity-linked Agreements

Save for "Share Capital and Shares Issued" section above, 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 2023.

## Dividends

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023 (2022: Nil).

## 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 2023. 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 2023, the Company had distributable reserves for share premium of RMB27,324,496,000 (2022: RMB24,705,638,000).

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 105 and in Note 39 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 2023 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 27 to the consolidated financial statements.

## Directors' Service Contracts

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

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

Dr. Shun Lu has been appointed as an independent non-executive Director on 9 February 2024, he has signed a letter of appointment with the Company for a term of one year since the date of his appointment letter.

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

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

## Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the Note 35A 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 2023.

## Contracts with Controlling Shareholders

The Company has no Controlling Shareholders during the year ended 31 December 2023.

## 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 2023.

## 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 2023, 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 C3 to the Listing Rules were as follows:

| Name of Director | Capacity/Nature of interest | Number of shares/ underlying shares | Approximate percentage of holding[1] | Long position/ Short position |
|---|---|---|---|---|
| Dr. De-Chao Michael Yu ("**Dr. Yu**") | Beneficial owner | 104,977,653[2] | 6.47% | Long position |
| | | 371,747[3] | 0.02% | Short position |
| | Grantor of a trust | 9,000,000[4] | 0.55% | Long position |
| | Founder of a discretionary trust who can influence how the trustee exercises his discretion | 12,422,595[5] | 0.77% | Long position |
| Dr. Charles Leland Cooney ("**Dr. Cooney**") | Beneficial owner | 127,710[6] | 0.01% | Long position |
| Mr. Ronald Hao Xi Ede ("**Mr. Ede**") | Beneficial owner | 8,270,975[7] | 0.51% | Long position |
| Ms. Joyce I-Yin Hsu ("**Ms. Hsu**") | Beneficial owner | 88,620[8] | 0.01% | Long position |
| Dr. Kaixian Chen ("**Dr. Chen**") | Beneficial owner | 38,268[9] | 0.00% | Long position |
| Mr. Gary Zieziula ("**Mr. Zieziula**") | Beneficial owner | 307,012[10] | 0.02% | Long position |

Notes:

1. The calculation is based on the total number of 1,621,830,905 Shares in issue as at 31 December 2023.

2. Includes (i) 87,822,570 Shares held directly by Dr. Yu, (ii) Dr. Yu's entitlement to receive up to 10,224,889 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Dr. Yu's entitlement to the aggregate of 6,930,194 Shares underlying restricted shares granted to him, subject to the conditions of these underlying restricted shares.

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

4. These Shares are held by Gloria Bingqinzi Yu and Catherine Tong Yu as cotrustees 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) 45,401 Shares held by Dr. Cooney; (ii) Dr. Cooney's entitlement to receive up to 74,594 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Dr. Cooney's entitlement to the aggregate of 7,715 Shares underlying the Restricted Shares granted to him, subject to the conditions of these underlying Restricted Shares.

7. Includes (i) 4,055,616 Shares held directly by Mr. Ede; (ii) Mr. Ede's entitlement to receive up to 2,744,715 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Mr. Ede's entitlement to the aggregate of 1,470,644 Shares underlying Restricted Shares granted to him, subject to the conditions of these Restricted Shares.

8. Includes (i) 6,311 shares held directly by Ms. Hsu; (ii) Ms. Hsu's entitlement to receive up to 74,594 Shares pursuant to the exercise of options granted to her, subject to the conditions of these options; and (iii) Ms. Hsu's entitlement to the aggregate of 7,715 Shares underlying the Restricted Shares granted to her, subject to the conditions of these underlying Restricted Shares.

9. Includes (i) 5,346 shares held directly by Dr. Chen; (ii) Dr. Chen's entitlement to receive up to 29,837 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) Dr. Chen's entitlement to the aggregate of 3,085 Shares underlying the Restricted Shares granted to him, subject to the conditions of these underlying Restricted Shares.

10. Includes (i) Mr. Zieziula's entitlement to receive up to 272,899 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (ii) Mr. Zieziula's entitlement to the aggregate of 34,113 Shares underlying the Restricted Shares granted to him, subject to the conditions of these underlying Restricted Shares.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

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

As at 31 December 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholder | Capacity/Nature of interest | Number of ordinary shares | Approximate percentage of holding[1] | Long position/ Short position |
|---|---|---|---|---|
| Temasek Holdings (Private) Limited[2] | Interest in a controlled corporation | 138,042,850 | 8.51% | Long position |
| The Capital Group Companies, Inc. ("**Capital Group Companies**")[3] | Interest in a controlled corporation | 98,326,860 | 6.06% | Long position |

Notes:

1. The calculation is based on the total number of 1,621,830,905 Shares in issue as at 31 December 2023.

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

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

   Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are also deemed to be interested in the 3,941,000 Shares held by True Light Investments H Pte Ltd., an indirect wholly-owned subsidiary of Fullerton Management Pte Ltd.

   In addition to the above, Temasek Holdings (Private) Limited is deemed to be interested in the 33,396,500 Shares held by other entity under its control. For details, please refer to the disclosure of interest form of Temasek Holdings (Private) Limited filed on 21 June 2023.

3. Capital Research and Management Company ("**Capital Research**") is a wholly-owned subsidiary of Capital Group Companies, which directly holds 74,110,736 Shares and is deemed to be interested in the 24,216,124 Shares held by other entities under the control of Capital Group International Inc., a wholly-owned subsidiary of Capital Research. Under the SFO, Capital Group Companies is deemed to be interested in the Shares held by Capital Research. For details, please refer to the disclosure of interest form of the Capital Group Companies filed on 27 October 2023.

Save as disclosed above, as at the date 31 December 2023, no persons other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations" above had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

## Equity Plans

The Company has four existing share schemes, namely the Pre-IPO Share Incentive Plan (terminated on 9 May 2022), the Post-IPO ESOP, the 2018 RS Plan (terminated on 12 June 2020) and the 2020 RS Plan, which were all adopted before the effective date of the new Chapter 17 of the Listing Rules on 1 January 2023. The Company has complied and will continue to comply with Chapter 17 to the extent required by the transitional arrangements for the existing share schemes.

34,001,214 new Shares, representing approximately 2.18% of the weighted average of issued share capital of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO ESOP and the 2020 RS Plan.

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

### 1. Pre-IPO Share Incentive Plan

#### Purpose

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

#### Eligible Participants

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

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

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

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

Given that no further awards would be granted under the Pre-IPO Share Incentive Plan, the outstanding number of options would be equivalent to the maximum number of Shares available for issue under the Pre-IPO Share Incentive Plan. As at 1 January 2023 and 31 December 2023, the aggregate number of underlying Shares pursuant to the outstanding options granted under the Pre-IPO Share Incentive Plan were 30,271,504 and 21,079,011 Shares, respectively. Details of the Pre-IPO Share Incentive Plan are set out in Note 32 to the consolidated financial statements.

### Maximum Entitlement for Each Participant

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

### Vesting Period

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

### Consideration

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

### Exercise Price

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

### Remaining Life of the Pre-IPO Share Incentive Plan

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

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

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

## Outstanding Share options and share awards

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Incentive Plan as of 31 December 2023. No options and/or share awards were granted since the Listing. For further details on the movement of the options during the Reporting Period, please see Note 32 to the consolidated financial statements.

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

Details of the movements of the options granted under the Pre-IPO Share Incentive Plan (which involves issuing new Shares) during the Reporting Period are as follows:

| | | | | | Number of options | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name or category of grantee | Date of grant | Exercise period | Vesting period | Exercise price | Outstanding as at 1 January 2023 | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at 31 December 2023 | Weighted average closing price immediately before the exercise date during the Reporting Period |
| **Service Providers in aggregate** | Between 10 May 2012 and 13 July 2018 | 10 years from the date of grant | 4 years from the date of grant | Between US$0.017 and US$0.212 | 8,580,000 | (3,270,000)[1] | - | - | 5,310,000 | HK$40.65 |
| **Employee Participants in aggregate** | Between 10 May 2012 and 9 October 2018 | 10 years from the date of grant | 4 years to 6 years from the date of grant | Between US$0.017 and US$1.342 | 21,691,504 | (5,922,493)[1] | - | - | 15,769,011 | HK$41.18 |
| **Total** | | | | | 30,271,504 | (9,192,493) | - | - | 21,079,011 | |

Note:

(1) The exercise price in respect of the options exercised during the Reporting Period is US$0.035 and US$0.2952.

## 2. Post-IPO ESOP

### Purpose

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

### Eligible Participants

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

### Maximum Number of Shares Available for Grant

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

As of 1 January 2023, 64,059,876 new Shares were available for grant under the Post-IPO ESOP. During the Reporting Period, 13,681,442 options had been granted pursuant to the Post-IPO ESOP. It follows that, as of 31 December 2023, the total number of new Shares available for grant under the Post-IPO ESOP was 54,441,520 Shares (including those cancelled and lapsed during the Reporting Period). As at the Latest Practicable Date, 51,109,108 new Shares (representing approximately 3.1% of the issued share capital of the Company) were available for grant under the Post-IPO ESOP.

### Maximum Entitlement of Each Participant

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

### Option Period

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

### Vesting Period

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

### Consideration

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

### Exercise Price

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

### Remaining Life of the Post-IPO ESOP

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

The remaining life of the Post-IPO ESOP is approximately 4.5 years.

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

## Outstanding options

Details of the movements of the options granted under the Post-IPO ESOP during the Reporting Period are as follows:

| | | | | | Number of options | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name or category of grantee | Date of grant | Exercise period | Vesting Period | Exercise price | Outstanding as at 1 January 2023 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at 31 December 2023 | Closing price of the Shares immediately before the date of grant during the Reporting Period | Fair value of options at the date of grant during the Reporting Period | Weighted average closing price immediately before the exercise date during the Reporting Period | Performance targets for options granted during the Reporting Period |
| **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 | N/A | N/A | N/A | N/A |
| | 15 April 2020 | 10 years from the date of grant | 75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024 | HK$33.95 | 2,071,429 | - | - | - | - | 2,071,429 | N/A | N/A | N/A | N/A |
| | 30 March 2021 | 10 years from the date of grant | 75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025 | HK$78.20 | 1,035,714 | - | - | - | - | 1,035,714 | N/A | N/A | N/A | N/A |
| | 30 March 2022 | 10 years from the date of grant | 75% shall vest on 30 March 2025; and 25% shall vest on 30 March 2026 | HK$30.60 | 1,354,889 | - | - | - | - | 1,354,889 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 10 years from the date of grant | 75% shall vest on 30 March 2026; and 25% shall vest on 30 March 2027 | HK$38.39 | - | 1,620,000 | - | - | - | 1,620,000 | HK$37.40 | HK$17.19[1] | N/A | See Note 2 |
| 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 | N/A | N/A | N/A | N/A |
| | 15 April 2020 | 10 years from the date of grant | 75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024 | HK$33.95 | 635,714 | - | - | - | - | 635,714 | N/A | N/A | N/A | N/A |
| | 30 March 2021 | 10 years from the date of grant | 75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025 | HK$78.20 | 342,857 | - | - | - | - | 342,857 | N/A | N/A | N/A | N/A |
| | 30 March 2022 | 10 years from the date of grant | 75% shall vest on 30 March 2025; and 25% shall vest on 30 March 2026 | HK$30.60 | 373,763 | - | - | - | - | 373,763 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 10 years from the date of grant | 75% shall vest on 30 March 2026 and 25% shall vest on 30 March 2027 | HK$38.39 | - | 440,000 | - | - | - | 440,000 | HK$37.40 | HK$17.19[1] | N/A | See Note 2 |

| Name or category of grantee | Date of grant | Exercise period | Vesting Period | Exercise price | Number of options | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outstanding as at 1 January 2023 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at 31 December 2023 | Closing price of the Shares immediately before the date of grant during the Reporting Period | Fair value of options at the date of grant during the Reporting Period | Weighted average closing price immediately before the exercise date during the Reporting Period | Performance targets for options granted during the Reporting Period |
| Dr. Charles Leland Cooney | 30 March 2022 | 10 years from the date of grant | 33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025 | HK$30.60 | 38,628 | - | - | - | - | 38,628 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 10 years from the date of grant | 33.33% shall vest on March 30, 2024; 33.33% shall vest on March 30, 2025; and 33.33% shall vest on March 30, 2026 | HK$38.39 | - | 35,966 | - | - | - | 35,966 | HK$37.40 | HK$16.36[1] | N/A | Nil |
| Ms. Joyce I-Yin Hsu | 30 March 2022 | 10 years from the date of grant | 33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025 | HK$30.60 | 38,628 | - | - | - | - | 38,628 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 10 years from the date of grant | 33.33% shall vest on March 30, 2024; 33.33% shall vest on March 30, 2025; and 33.33% shall vest on March 30, 2026 | HK$38.39 | - | 35,966 | - | - | - | 35,966 | HK$37.40 | HK$16.36[1] | N/A | Nil |
| Dr. Kaixian Chen | 30 March 2022 | 10 years from the date of grant | 33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025 | HK$30.60 | 15,451 | - | - | - | - | 15,451 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 10 years from the date of grant | 33.33% shall vest on March 30, 2024; 33.33% shall vest on March 30, 2025; and 33.33% shall vest on March 30, 2026 | HK$38.39 | - | 14,386 | - | - | - | 14,386 | HK$37.40 | HK$16.36[1] | N/A | Nil |
| Mr. Gary Zieziula | 1 June 2022 | 10 years from the date of grant | 33.33% shall vest on 1 June 2023; 33.33% shall vest on 1 June 2024; and 33.33% shall vest on 1 June 2025 | HK$24.30 | 117,045 | - | - | - | - | 117,045 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 10 years from the date of grant | 33.33% shall vest on March 30, 2024; 33.33% shall vest on March 30, 2025; and 33.33% shall vest on March 30, 2026 | HK$38.39 | - | 155,854 | - | - | - | 155,854 | HK$37.40 | HK$16.36[1] | N/A | Nil |
| **Service Providers in aggregate** | 15 March 2019 | 10 years from the date of grant | 75% shall vest on 9 December 2022; and 25% shall vest on 9 December 2023 | HK$28.30 | 100,000 | - | - | - | - | 100,000 | N/A | N/A | N/A | N/A |
| | 9 December 2022 | 10 years from the date of grant | 75% shall vest on 9 December 2025; and 25% shall vest on 9 December 2026 | HK$32.25 | 800,000 | - | - | - | - | 800,000 | N/A | N/A | N/A | N/A |

| Name or category of grantee | Date of grant | Exercise period | Vesting Period | Exercise price | Number of options | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outstanding as at 1 January 2023 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at 31 December 2023 | Closing price of the Shares immediately before the date of grant during the Reporting Period | Fair value of options at the date of grant during the Reporting Period | Weighted average closing price immediately before the exercise date during the Reporting Period | Performance targets for options granted during the Reporting Period |
| **Employee Participants in aggregate**[4] | 15 March 2019 | 10 years from the date of grant | 75% shall vest on 9 December 2022; and 25% shall vest on 9 December 2023 | HK$28.30 | 4,641,920 | - | (924,505) | (26,443) | - | 3,690,972 | N/A | N/A | HK$45.57 | N/A |
| | 14 June 2019 | 10 years from the date of grant | 75% shall vest on 14 June 2022; and 25% shall vest on 14 June 2023 | HK$26.25 | 285,714 | - | (80,000) | (7,143) | - | 198,571 | N/A | N/A | HK$44.00 | N/A |
| | 29 August 2019 | 10 years from the date of grant | 75% shall vest on 29 August 2022; and 25% shall vest on 29 August 2023 | HK$25.85 | 57,143 | - | - | - | - | 57,143 | N/A | N/A | N/A | N/A |
| | 4 December 2019 | 10 years from the date of grant | 75% shall vest on 4 December 2022; and 25% shall vest on 4 December 2023 | HK$28.15 | 295,713 | - | (209,284) | (29,643) | - | 56,786 | N/A | N/A | HK$40.12 | N/A |
| | 15 April 2020 | 10 years from the date of grant | 75% shall vest on 15 April 2023; and 25% shall vest on 15 April 2024 | HK$33.95 | 7,815,560 | - | (985,246) | (505,212) | - | 6,325,102 | N/A | N/A | HK$41.36 | N/A |
| | 11 June 2020 | 10 years from the date of grant | 75% shall vest on June 11, 2023; and 25% shall vest on June 11, 2024 | HK$47.80 | 1,163,101 | - | - | (32,015) | - | 1,131,086 | N/A | N/A | N/A | N/A |
| | 27 August 2020 | 10 years from the date of grant | 75% shall vest on 27 August 2023; and 25% shall vest on 27 August 2024 | HK$54.55 | 214,284 | - | - | (100,000) | - | 114,284 | N/A | N/A | N/A | N/A |
| | 3 December 2020 | 10 years from the date of grant | 75% shall vest on 3 December 2023; and 25% shall vest on 3 December 2024 | HK$53.90 | 3,456,306 | - | - | (28,571) | - | 3,427,735 | N/A | N/A | N/A | N/A |
| | 30 March 2021 | 10 years from the date of grant | 75% shall vest on 30 March 2024; and 25% shall vest on 30 March 2025 | HK$78.20 | 5,992,801 | - | - | (632,485) | - | 5,360,316 | N/A | N/A | N/A | N/A |
| | 23 June 2021 | 10 years from the date of grant | 75% shall vest on 23 June 2024; and 25% shall vest on 23 June 2025 | HK$90.05 | 749,953 | - | - | (117,218) | - | 632,735 | N/A | N/A | N/A | N/A |
| | | 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 | 245,714 | - | - | (120,000) | - | 125,714 | N/A | N/A | N/A | N/A |
| | 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 | 200,428 | - | - | (41,571) | - | 158,857 | N/A | N/A | N/A | N/A |
| | 6 December 2021 | 10 years from the date of grant | 75% shall vest on 6 December 2024; and 25% shall vest on 6 December 2025 | HK$68.51 | 479,658 | - | - | (84,348) | - | 395,310 | N/A | N/A | N/A | N/A |
| | 30 March 2022 | 10 years from the date of grant | 75% shall vest on 30 March 2025; and 25% shall vest on 30 March 2026 | HK$30.60 | 8,386,756 | - | - | (1,273,432) | - | 7,113,324 | N/A | N/A | N/A | N/A |
| | 8 July 2022 | 10 years from the date of grant | 75% shall vest on 8 July 2025; and 25% shall vest on 8 July 2026 | HK$37.55 | 372,426 | - | - | (144,428) | - | 227,998 | N/A | N/A | N/A | N/A |
| | 29 August 2022 | 10 years from the date of grant | 75% shall vest on 29 August 2025; and 25% shall vest on 29 August 2026 | HK$33.10 | 98,428 | - | - | (42,857) | - | 55,571 | N/A | N/A | N/A | N/A |
| | 9 December 2022 | 10 years from the date of grant | 75% shall vest on 9 December 2025; and 25% shall vest on 9 December 2026 | HK$32.25 | 220,698 | - | - | (14,286) | - | 206,412 | N/A | N/A | N/A | N/A |

| Name or category of grantee | Date of grant | Exercise period | Vesting Period | Exercise price | Number of options: Outstanding as at 1 January 2023 | Granted during the Reporting Period | Exercised during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Outstanding as at 31 December 2023 | Closing price of the Shares immediately before the date of grant during the Reporting Period | Fair value of options at the date of grant during the Reporting Period | Weighted average closing price immediately before the exercise date during the Reporting Period | Performance targets for options granted during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30 March 2023 | 10 years from the date of grant | 75% shall vest on 30 March 2026; and 25% shall vest on 30 March 2027 | HK$38.39 | - | 11,107,470 | - | (837,439) | - | 10,270,031 | HK$37.40 | Staff: HK$18.09 Management: HK$18.51[1] | N/A | See Note 2 |
| | 20 June 2023 | 10 years from the date of grant | 75% shall vest on 20 June 2026; and 25% shall vest on 20 June 2027 | HK$35.20 | - | 180,000 | - | (26,000) | - | 154,000 | HK$35.60 | Staff: HK$14.41 Management: HK$14.82[1] | N/A | See Note 3 |
| | 7 December 2023 | 10 years from the date of grant | 75% shall vest on 7 December 2026; and 25% shall vest on 7 December 2027 | HK$42.84 | - | 91,800 | - | - | - | 91,800 | HK$40.55 | Staff: HK$21.69 Management: HK$21.97[1] | N/A | See Note 3 |
| **Total** | | | | | 46,695,959 | 13,681,442 | (2,199,035) | (4,063,091) | - | 54,115,275 | | | | |

Notes:

1. The Company granted 2,302,172 options to the Directors and 11,379,270 options to the Employee Participants during the Reporting Period, which are measured at the fair value of the equity instruments at the grant date according to IFRS 2 Share-based payments.

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

2. Each vesting of the options granted to the grantees will be subject to the individual annual performance targets as stipulated in the respective grant letters entered into by the Company and each of the grantees. The vesting percentage of the options at each vesting will be adjusted based on his/her annual performance appraisal. For details, please refer to the announcement of the Company dated 30 March 2023.

3. Each vesting of the options granted to the grantees will be subject to the individual annual performance targets as stipulated in the respective grant letters entered into by the Company and each of the grantees. These performance targets are set against certain benchmark of the functions in which the individual grantee serves, these functions include research and development, CMC, sales and marketing, and general and administration, etc. The vesting percentage of the options at each vesting will be adjusted based on his/her annual performance appraisal. For details, please refer to the announcements of the Company dated 20 June 2023 and 7 December 2023.

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

## 3. 2018 RS Plan

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

### Purpose

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

### Eligible Participants

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

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

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

Given that no further awards would be granted under the 2018 RS Plan after its termination, the number of unvested awards would be equivalent to the maximum number of Shares available for issue under the 2018 RS Plan. As of 1 January 2023 and 31 December 2023, restricted shares representing 7,114,634 and 2,361,133 underlying Shares granted to eligible participants pursuant to the 2018 RS Plan remain unvested, respectively. As of the Latest Practicable Date, restricted shares representing 1,487,142 underlying Shares, being approximately 0.1% of the issued share capital of the Company, granted to eligible participants pursuant to the 2018 RS Plan remain unvested.

### Maximum Entitlement for Each Participant

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

### Vesting Period

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

### Consideration

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

### Remaining Life of the 2018 RS Plan

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

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

Details of the movements of the restricted Shares granted under the 2018 RS Plan (to be satisfied by new Shares) during the are as follows:

| Name or category of grantee | Date of grant | Vesting Period | Purchase Price | Unvested as of 1 January 2023 | Vested during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Unvested as of 31 December 2023 | Closing price at date of grant | Weighted average closing price immediately before the vesting date during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | |
| Dr. De-Chao Michael Yu | 2 May 2019 | 5 years from the date of grant | Nil | 2,760,719 | (1,380,359) | – | – | 1,380,360 | HK$25.15 | HK$36.35 |
| | 15 April 2020 | 4 years from the date of grant | Nil | 1,450,000 | (1,087,500) | – | – | 362,500 | HK$33.95 | HK$42.70 |
| Mr. Ronald Hao Xi Ede | 15 April 2020 | 4 years from the date of grant | Nil | 320,000 | (240,000) | – | – | 80,000 | HK$33.95 | HK$42.70 |
| **Employee Participants in aggregate** | 2 May 2019 | 4 years from the date of grant | Nil | 8,795 | (3,795) | (5,000) | – | – | HK$25.15 | HK$36.35 |
| | 14 June 2019 | 4 years from the date of grant | Nil | 15,000 | (5,000) | (10,000) | – | – | HK$25.90 | HK$35.55 |
| | 29 August 2019 | 4 years from the date of grant | Nil | 17,500 | (17,500) | – | – | – | HK$25.85 | HK$34.75 |
| | 4 December 2019 | 4 years from the date of grant | Nil | 15,000 | (10,000) | (5,000) | – | – | HK$28.15 | HK$44.00 |
| | 15 April 2020 | 4 years from the date of grant | Nil | 2,084,080 | (1,496,227) | (156,362) | – | 431,491 | HK$33.95 | HK$42.70 |
| | 11 June 2020 | 4 years from the date of grant | Nil | 443,540 | (331,155) | (5,603) | – | 106,782 | HK$47.80 | HK$35.90 |
| **Total** | | | | 7,114,634 | (4,571,536) | (181,965) | – | 2,361,133 | | |

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

## 4. 2020 RS Plan

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

### Purpose

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

### Eligible Participants

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

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

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

As of 1 January 2023, 42,308,998 restricted shares were available for grant under the 2020 RS Plan. During the Reporting Period, 20,319,772 restricted shares were granted to eligible participants pursuant to the 2020 RS Plan. It follows that, as of 31 December 2023, 25,895,369 restricted shares (including those cancelled and lapsed during the Reporting Period) were available for grant under the 2020 RS Plan. As of the Latest Practicable Date, 4,932,483 restricted shares (representing approximately 0.3% of the issued share capital of the Company) were available for grant under the 2020 RS Plan.

### Maximum Entitlement for Each Participant

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

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

### Vesting Period

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

### Consideration

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

### Remaining Life of the 2020 RS Plan

The 2020 RS Plan shall be valid and effective for the period of five years commencing on 12 June 2020. The remaining life of the 2020 RS Plan is approximately 1.5 years from 31 December 2023.

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

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

| Name or category of grantee | Date of grant | Vesting Period | Purchase Price | Unvested as of 1 January 2023 | Granted during the Reporting Period | Vested during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Unvested as of 31 December 2023 | Closing price of Shares immediately before the grant during the Reporting Period | Fair value of restricted shares at the date of grant during the Reporting Period | Weighted average closing price immediately before the vesting date during the Reporting Period | Performance targets for restricted shares granted during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | | | |
| Dr. De-Chao Michael Yu | 30 March 2021 | 4 years from the date of grant | Nil | 725,000 | – | – | – | – | 725,000 | N/A | N/A | N/A | N/A |
| | 30 March 2022 | 4 years from the date of grant | Nil | 2,032,334 | – | – | – | – | 2,032,334 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 75% shall vest on 30 March 2026; and 25% shall vest on 30 March 2027 | Nil | – | 2,430,000 | – | – | – | 2,430,000 | HK$37.40 | HK$35.05[1] | N/A | See Note 2 |
| Mr. Ronald Hao Xi Ede | 30 March 2021 | 4 years from the date of grant | Nil | 160,000 | – | – | – | – | 160,000 | N/A | N/A | N/A | N/A |
| | 30 March 2022 | 4 years from the date of grant | Nil | 560,644 | – | – | – | – | 560,644 | N/A | N/A | N/A | N/A |
| | 30 March 2023 | 75% shall vest on 30 March 2026; and 25% shall vest on 30 March 2027 | Nil | – | 670,000[3] | – | – | – | 670,000 | HK$37.40 | HK$35.05[1] | N/A | See Note 2 |
| Dr. Charles Leland Cooney | 30 March 2022 | 33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025 | Nil | 4,828 | – | (1,609) | – | – | 3,219 | N/A | N/A | HK$37.40 | N/A |
| | 30 March 2023 | 33.33% shall vest on 30 March 2024; 33.33% shall vest on 30 March 2025; and 33.33% shall vest on 30 March 2026 | Nil | – | 4,496 | – | – | – | 4,496 | HK$37.40 | HK$35.05[1] | N/A | Nil |
| Ms. Joyce I-Yin Hsu | 30 March 2022 | 33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025 | Nil | 4,828 | – | (1,609) | – | – | 3,219 | N/A | N/A | HK$37.40 | N/A |
| | 30 March 2023 | 33.33% shall vest on 30 March 2024; 33.33% shall vest on 30 March 2025; and 33.33% shall vest on 30 March 2026 | Nil | – | 4,496 | – | – | – | 4,496 | HK$37.40 | HK$35.05[1] | N/A | Nil |

| Name or category of grantee | Date of grant | Vesting Period | Purchase Price | Unvested as of 1 January 2023 | Granted during the Reporting Period | Vested during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Unvested as of 31 December 2023 | Closing price of Shares immediately before the grant during the Reporting Period | Fair value of restricted shares at the date of grant during the Reporting Period | Weighted average closing price immediately before the vesting date during the Reporting Period | Performance targets for restricted shares granted during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dr. Kaixian Chen | 30 March 2022 | 33.33% shall vest on 30 March 2023; 33.33% shall vest on 30 March 2024; and 33.33% shall vest on 30 March 2025 | Nil | 1,931 | – | (644) | – | – | 1,287 | N/A | N/A | HK$37.40 | N/A |
| | 30 March 2023 | 33.33% shall vest on 30 March 2024; 33.33% shall vest on 30 March 2025; and 33.33% shall vest on 30 March 2026 | Nil | – | 1,798 | – | – | – | 1,798 | HK$37.40 | HK$35.05[1] | N/A | Nil |
| Mr. Gary Zieiula | 1 June 2022 | 33.33% shall vest on 1 June 2023; 33.33% shall vest on 1 June 2024; and 33.33% shall vest on 1 June 2025 | Nil | 14,631 | – | (4,877) | – | – | 9,754 | N/A | N/A | HK$36.70 | N/A |
| | 30 March 2023 | 33.33% shall vest on 30 March 2024; 33.33% shall vest on 30 March 2025; and 33.33% shall vest on 30 March 2026 | Nil | – | 19,482 | – | – | – | 19,482 | HK$37.40 | HK$35.05[1] | N/A | Nil |
| **Service Providers in aggregate** | 9 December 2022 | 4 years from the date of grant | Nil | 930,000 | – | – | – | – | 930,000 | N/A | N/A | N/A | N/A |
| **Employee Participants in aggregate[4]** | 27 August 2020 | 4 years from the date of grant | Nil | 180,000 | – | (60,000) | (100,000) | – | 20,000 | N/A | N/A | HK$34.75 | N/A |
| | 3 December 2020 | 4 years from the date of grant | Nil | 4,429,169 | – | (3,306,877) | (20,000) | – | 1,102,292 | N/A | N/A | HK$42.25 | N/A |
| | 30 March 2021 | 4 years from the date of grant | Nil | 1,492,240 | – | – | (131,300) | – | 1,360,940 | N/A | N/A | N/A | N/A |
| | 23 June 2021 | 244,000 restricted shares; 6 years from the date of grant 429,587 restricted shares; 4 years from the date of grant | Nil | 311,700 | – | – | (72,500) | – | 239,200 | N/A | N/A | N/A | N/A |
| | 26 August 2021 | 4 years from the date of grant | Nil | 153,000 | – | – | (33,000) | – | 120,000 | N/A | N/A | N/A | N/A |
| | 6 December 2021 | 4 years from the date of grant | Nil | 363,600 | – | – | (64,500) | – | 299,100 | N/A | N/A | N/A | N/A |
| | 30 March 2022 | 4 years from the date of grant | Nil | 12,718,836 | – | – | (1,856,323) | – | 10,862,513 | N/A | N/A | N/A | N/A |
| | 8 July 2022 | 4 years from the date of grant | Nil | 281,000 | – | – | (123,000) | – | 158,000 | N/A | N/A | N/A | N/A |
| | 29 August 2022 | 4 years from the date of grant | Nil | 90,000 | – | – | (30,000) | – | 60,000 | N/A | N/A | N/A | N/A |
| | 9 December 2022 | 4 years from the date of grant | Nil | 329,407 | – | – | (10,000) | – | 319,407 | N/A | N/A | N/A | N/A |

| Name or category of grantee | Date of grant | Vesting Period | Purchase Price | Unvested as of 1 January 2023 | Granted during the Reporting Period | Vested during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period | Unvested as of 31 December 2023 | Closing price of Shares immediately before the grant during the Reporting Period | Fair value of restricted shares at the date of grant during the Reporting Period | Weighted average closing price immediately before the vesting date during the Reporting Period | Performance targets for restricted shares granted during the Reporting Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30 March 2023 | 75% shall vest on 30 March 2026; and 25% shall vest on 30 March 2027 | Nil | – | 16,872,100 | – | (1,439,520) | – | 15,432,580 | HK$37.40 | HK$36.70(1) | N/A | See Note 2 |
| | 20 June 2023 | 75% shall vest on 20 June 2026; and 25% shall vest on 20 June 2027 | Nil | – | 180,000 | – | (26,000) | – | 154,000 | HK$33.60 | HK$30.25(1) | N/A | See Note 3 |
| | 7 December 2023 | 75% shall vest on 7 December 2026; and 25% shall vest on 7 December 2027 | Nil | – | 137,400 | – | – | – | 137,400 | HK$40.55 | HK$40.30(1) | N/A | See Note 3 |
| **Total** | | | | 24,783,148 | 20,319,772 | (3,375,616) | (3,906,143) | – | 37,821,161 | | | | |

Notes:

(1) The Company granted 3,130,272 restricted shares to the Directors and 17,189,500 restricted shares to the Employees Participants during the Reporting Period, which are measured at the fair value of the equity instruments at the grant date according to IFRS 2 Share-based payments.

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

(2) Each vesting of the restricted shares granted to grantees are subject to the individual annual performance targets as stipulated in the award letters entered into by the Company and the grantees. The vesting percentage of the restricted shares will be adjusted based on his annual performance appraisal at each vesting. For further details, please refer to the announcement of the Company dated 30 March 2023.

(3) Each vesting of the restricted shares granted to the grantees will be subject to the individual annual performance targets as stipulated in the respective grant letters entered into by the grantee and the Company. These performance targets are set against certain benchmark of the functions in which the individual grantee serves, these functions include research and development, CMC, sales and marketing, and general and administration, etc. The vesting percentage of the restricted shares will be adjusted based on his/her annual performance appraisal at each vesting. For further details, please refer to the announcements of the Company dated 20 June 2023 and 7 December 2023.

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

## Directors' Rights to Acquire Shares or Debenture

Save as disclosed in this annual report, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

## Emolument Policy and Directors' Remuneration

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Equity Plans. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 11, respectively to the consolidated financial statements.

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

For the year ended 31 December 2023, directors were granted discretionary bonuses of a total sum of RMB7.7 million excluding the special bonus set out in Note 11 to the consolidated financial statements (equivalent to approximately 17 months of their base salary). Save as disclosed above, none of the Directors were paid discretionary bonuses for the year ended 31 December 2023.

## Directors' Interests in Competing Business

During the year ended 31 December 2023, 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.

## Connected Transactions

On 30 March 2023, the Company resolved to grant 3,130,272 restricted shares to Dr. Yu, Mr. Ede, Ms. Hsu, Dr. Cooney, Dr. Chen and Mr. Zieziula under the 2020 RS Plan, each subject to independent Shareholders' approval. Each grantee is a Director, and therefore a connected person of the Company. These grants were approved by independent Shareholders at the annual general meeting of the Company on 21 June 2023. The above grants are part of the Directors' remuneration policy and enables the Company to attract, retain, incentivize, reward and remunerate the grantees, and encourage them to work towards enhancing the value of the Company and the Shares for the benefit of the Company and Shareholders as a whole. For details, please refer to the announcement of the Company dated 30 March 2023 and the circular of the Company dated 30 May 2023.

## Continuing Connected Transactions

The Group has no non-exempt continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended 31 December 2023. Details of related party transactions of the Group for the year ended 31 December 2023 are set out in Note 35A to the consolidated financial statements.

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

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

## Material Litigation

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2023. 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 2023.

## Use of Net Proceeds

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

The placing of new Shares pursuant to the placing agreement dated 23 July 2020 was completed on 30 July 2020 (the "**2020 Placing**"). An aggregate of 56,200,000 new Shares were successfully placed to not less than six independent placees. The net proceeds raised from the 2020 Placing were approximately HK$2,787.5 million (approximately RMB2,514.2 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 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 R&D laboratories, and (iii) for general corporate use, as appropriate.

As at 31 December 2023, the net proceeds of the 2020 Placing had been fully utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the 2020 Placing. The table below sets out the use of proceeds from the 2020 Placing as at 31 December 2023:

| **Use of net proceeds** | Unutilised as at 1 January 2023 RMB million | **Utilisation during the year ended 31 December 2023 RMB million** | **Unutilised as at 31 December 2023 RMB million** |
|---|---|---|---|
| Building a second production facility in Suzhou for TYVYT® (sintilimab injection) and additional capacity commensurate with our growth | 96.6 | **96.6** | **–** |
| Funding increased international clinical trial needs with expansion of research & development laboratories | 160.9 | **160.9** | **–** |
| General corporate use | – | **–** | **–** |
| | 257.5 | **257.5** | **–** |

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

The placing of new Shares pursuant to the placing agreement dated 15 January 2021 was completed on 22 January 2021 (the "**2021 Placing**"). The net proceeds raised from the 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 2021 Placing, with the allocation being as follows: (i) approximately 70.0% will be for expediting the investment and development of various clinical programs for our leading innovative products globally and funding potential product licensing and possible mergers and acquisitions activities; and (ii) the remaining 30.0% will be for further expanding the production capacity and for working capital and other general corporate use.

As at 31 December 2023, the net proceeds of the 2021 Placing had been fully utilised in accordance with the intended use of proceeds as previously disclosed in the Company's announcements relating to the 2021 Placing. The table below sets out the use of proceeds from the 2021 Placing as at 31 December 2023:

| **Use of net proceeds** | Unutilised as at 1 January 2023 RMB million | **Utilisation during the year ended 31 December 2023 RMB million** | **Unutilised as at 31 December 2023 RMB million** |
|---|---|---|---|
| Expediting the investment and development of various clinical programs for our leading innovative products globally | – | **–** | **–** |
| Funding potential product licensing and possible mergers | – | **–** | **–** |
| Further expanding the production capacity | 279.6 | **279.6** | **–** |
| Working capital and other general corporate use | 202.3 | **202.3** | **–** |
| | 481.9 | **481.9** | **–** |

### (c) Use of Net Proceeds from the Subscription

On 4 August 2022, the Group entered into a strategic multi-program collaboration and license agreement with Sanofi group to establish a strategic collaboration for the clinical development and commercialization of certain products. In addition to the said agreement, Sanofi Foreign Participations B.V. (the "**Subscriber**") entered into a share subscription agreement, pursuant to which the Subscriber agreed to subscribe, and the Company agreed to allot and issue to the Subscriber, two tranches of the subscription (the "**Subscription**").

The first tranche of the Subscription was completed on 18 August 2022 (the "**First Tranche**"). The net proceeds raised from the First Tranche were approximately HK$2,416.7 million (approximately RMB2,089.0 million). The net proceeds will be utilised in accordance with the intended use of proceeds as previously disclosed in the announcements of the Company dated 4 August 2022 and 18 August 2022 (the "**Subscription Announcements**") with the allocation being as follows: (i) approximately 70.0% for expediting the R&D of various preclinical and clinical programs in our pipeline globally; (ii) approximately 20.0% for further expanding our production capacity; and (iii) the remaining 10.0% for funding potential in-licensing deal, potential merger & acquisition ("**M&A**") activities, working capital and other general corporate use. The second tranche of the subscription will be subject to a separate written share issuance agreement between the parties to be entered into in the future.

As at 31 December 2023, approximately RMB1,692.6 million of the net proceeds of the First Tranche had been utilised in accordance with the intended use of proceeds as previously disclosed in the Subscription Announcements, and RMB396.4 million remained unutilised. The table below sets out the use of proceeds from the Subscription as at 31 December 2023:

| **Use of net proceeds** | Unutilised as at 1 January 2023 RMB million | **Utilisation during the year ended 31 December 2023 RMB million** | **Unutilised as at 31 December 2023 RMB million** |
|---|---|---|---|
| Expediting the R&D of various preclinical and clinical programs in our pipeline globally | 1,070.2 | **1,070.2** | **–** |
| Further expanding our production capacity | 417.8 | **21.4** | **396.4** |
| Funding potential in-licensing deal, potential M&A activities, working capital and other general corporate use | – | **–** | **–** |
| | 1,488.0 | **1,091.6** | **396.4** |

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 44 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.

## (d) Use of Net Proceeds from the 2023 Placing

The placing of new Shares pursuant to the placing agreement dated 12 September 2023 was completed on 19 September 2023 (the "**2023 Placing**"). An aggregate of 68,000,000 new Shares were placed to not fewer than six independent placees, who are professional, institutional or other investors, at HK$34.92 per share (at a net price of approximately HK$34.66 per Share). The Placing Shares have an aggregate nominal value of US$680.0 and a market value of HK$2,604.4 million.

The net proceeds raised from the 2023 Placing were approximately HK$2,356.8 million (approximately RMB2,163.0 million). The 2023 Placing was for the Company's future development, sustainable growth and global innovation. In particular, the net proceeds will be utilised in accordance with the intended use of proceeds as disclosed in the 2023 Placing Announcements, with the allocation being as follows: (i) approximately 60.0% for expediting the R&D of various prioritized preclinical and clinical programs in our pipeline globally, including but not limited to the conduction of MRCTs (multi-regional clinical trials), as well as for building the global infrastructure and facilities; (ii) approximately 30.0% for the development, marketing and commercialization of IBI362 (mazdutide), a GLP-1R/GCGR dual agonist and potential best-in-class clinical-stage drug candidate for diabetes and obesity, while respective phase 3 clinical studies of IBI362 (mazdutide) in obesity and diabetes are progressing smoothly for the subsequent NDA submission plan in China; and (iii) the remaining 10.0% for general and corporate use.

As at 31 December 2023, approximately RMB283.0 million of the net proceeds of 2023 Placing had been utilised in accordance with the intended use of proceeds as previously disclosed in the 2023 Placing Announcements, and RMB1,880.0 million remained unutilised. The table below sets out the use of proceeds from the 2023 Placing as at 31 December 2023:

| **Use of net proceeds** | Net proceeds RMB million | **Utilisation from 19 September 2023 to 31 December 2023 RMB million** | **Unutilised as at 31 December 2023 RMB million** |
|---|---|---|---|
| Expediting the R&D of various prioritized preclinical and clinical programs in global pipeline | 1,297.8 | **34.0** | **1,263.8** |
| Development, marketing and commercialization of IBI362 (mazdutide) | 648.9 | **73.0** | **575.9** |
| General and corporate use | 216.3 | **176.0** | **40.3** |
| | 2,163.0 | **283.0** | **1,880.0** |

There was no change in the intended use of net proceeds as previously disclosed, and the Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes within the upcoming 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.

## 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 Period

There were 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 of the Board and Executive Director*

Hong Kong, China
20 March 2024

The Board consists of the following Directors:

## Directors

### Executive Directors

**Dr. De-Chao Michael Yu ("Dr. Yu")**, aged 60, is the founder, an executive director, the Chairman of the Board, and 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 R&D 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 all patients regardless of socioeconomic status or background. With over 20 years of experience engaged in innovative research on biopharmaceuticals, he has invented 4 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), setting a precedent for the use of viruses to treat tumors. Dr. Yu co-invented and led the development of Langmu® (Conbercept eye injection), and TYVYT® (sintilimab injection), an innovative PD-1 inhibitor for relapsed or refractory classical Hodgkin's lymphoma (r/r cHL) , 1L nsq NSCLC, 1L sq NSCLC and 1L HCC, etc.. Dr. Yu has also co-invented and led the development of SINTBILO® (tafolecimab injection), the first domestic fully human anti-PCSK9 monoclonal antibody approved in China.

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 Dian Diagnostics Group Co.,Ltd. (a company listed on the Shenzhen Stock Exchange with stock code: 300244) since November 2023. Dr. Yu was an independent non-executive director of Cheerwin Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 6601) from February 2021 to October 2022 and an independent non-executive director of BabyTree Group (a company listed on Main Board of the Stock Exchange with stock code: 1761) from June 2018 to May 2023.

**Mr. Ronald Hao Xi Ede ("Mr. Ede")**, aged 65, is an executive Director and a member of the Strategy Committee and Partner of the Company's funds. Mr. Ede served as the Chief Financial Officer of Innovent from August 2017 to February 2024 and has made significant contributions to the Company's strategy planning, corporate governance, financial management and business development. 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 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 resigned on May 2023; and

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

## Independent Non-executive Directors

**Dr. Charles Leland Cooney ("Dr. Cooney")**, aged 79, is an independent non-executive Director, a member of each of the Audit Committee, Nomination Committee and the Strategy Committee. Dr. Cooney was appointed to the Board 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 private companies such as GreenLight Bioscience and LayerBio, and is an adviser to the Singapore MIT Alliance for Research and Technology (SMART) Innovation Center. Dr. Cooney served as an independent non-executive director of Codiak BioScience (a company listed on the NASDAQ with the symbol CDAK), GreenLight Bioscience (a company listed on the NASDAQ with the symbol GRNA), 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 49, is an independent non-executive Director, the chairwoman of each of the Audit Committee and Remuneration Committee. Ms. Hsu was appointed to the Board of the Company on 18 October 2018 and is responsible for providing independent opinion and judgment to the Board. She currently acts as a senior advisor 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.

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

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

- as an Academician of the Chinese Academy of Sciences (中國科學院) since 1999;
- as deputy president of the Chinese Pharmaceutical Association (中國藥學會) from 2007 to 2017, and the Director of the Division of Medicinal Chemistry, CPA (中國藥學會藥物化學專業委員會) from 2007 to 2020; chairman of the board of supervisors, CPA (中國藥學會監事會) from 2017 to 2022, and honorary chairman of the CPA since 2022;
- as member of the general expert group of the National Science and Technology Major Project "Innovative Drug Research & Development" (國家重大科技專項《重大新藥創製》) since 2008, and the deputy chief scientific and technical officer since 2016;
- as chairman of the Shanghai Association for Science and Technology (上海市科學技術協會) from 2011 to 2018;
- as editor in chief of Progress in Pharmaceutical Sciences, Chinese Journal of New Drugs and Clinical Remedies (藥學進展、中國新藥與臨床雜誌) since 2015; and
- as executive member and deputy director of the National Pharmacopoeia Commission of China (國家藥典委員會) from 2017 to 2022.

Dr. Chen served as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on the Stock Exchange with stock code: 1349) between 2014 and 2015, and has served as an independent non-executive director of Zai Lab Limited (a company listed on the NASDAQ with ticker symbol: ZLAB and the Stock Exchange with stock code: 9688) since 2018, and as an independent non-executive director of Jiangsu Kanion Pharmaceutical Co. Ltd. (a company listed on Shanghai Stock Exchange with stock code: 600557) since December 2019, and is appointed as independent non-executive director of InnoCare Pharma Limited (a company listed on the Stock Exchange with stock code: 09969) since March 2020.

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

**Mr. Gary Zieziula ("Mr. Zieziula")**, aged 69, is an independent non-executive Director, a member of each of the Audit Committee and the Strategy Committee.

Mr. Zieziula has over 40 years of sales and operations experience in the pharmaceutical industry and had worked for industry leaders across Europe and North America. He served as the president of Kyowa Kirin USA Holdings, Inc., the North America Region Headquarters of Kyowa Kirin Co., Ltd, a company listed on the Tokyo Stock Exchange (stock code: 4151) from April 2020 to April 2023 and non-executive director on the Kyowa Kirin USA Holdings, Inc.'s board of directors from June 2019 to April 2020, and continues to serve on the company's board of directors in his executive role. Mr. Zieziula previously had worked for EMD Serono, a North American pharmaceutical company and subsidiary of Merck KGaA, as the chief commercial officer from January 2014 to January 2016, and the president and managing director from January 2016 to January 2019. He has been an independent provider of executive advisory services to pharmaceutical and biotech companies from December 2012 to January 2014. Mr. Zieziula served as the chief commercial officer and the executive vice president of AMAG Pharmaceuticals, Inc., a pharmaceutical company specializing in the development of iron deficiency products listed on NASDAQ, from April 2010 to December 2012. Prior to that, he worked for Roche Laboratories Inc. ("**Roche**"), a leading global pharmaceutical and biotechnology company. In October 2001, Mr. Zieziula started his career at Roche as the vice president of primary care sales, in July 2002, Mr. Zieziula was promoted to vice president of sales and marketing services and joined the North American Operating Committee and from July 2003 to June 2008, Mr. Zieziula served as Head of Commercial Operations for Specialty Care Products. In June 2008, Mr. Zieziula gained international experience as Managing Director of Roche Hellas in Greece. From June 1998 to October 2001, he served as the vice president in managed healthcare sales and marketing for Bristol Myers Squibb, a pharmaceutical manufacturer listed on the New York Stock Exchange. Prior to that, Mr. Zieziula spent 16 years at Merck & Co. where he had positions of increasing responsibility in sales and marketing.

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

**Dr. Shun Lu ("Dr. Lu")**, aged 59, is an independent non-executive Director and a member of the Strategy Committee since 9 February 2024.

Dr. Lu has over 30 years of experience in the medical and pharmaceutical industry. Dr. Lu is currently a professor and the chief of Shanghai Lung Cancer Center, Shanghai Chest Hospital, Shanghai Jiao Tong University, and has been in these positions since 2006. Prior to that, Dr. Lu has been an associate professor and the vice chief of the Department of Chest, Shanghai Chest Hospital, Jiao Tong University from January 2000 to December 2005, an attending doctor at the Department of Chest from January 1995 to December 1999, and a resident doctor at the Department of Chest from July 1988 to December 1994.

Dr. Lu holds the following professional memberships and qualifications:

- Former director of Chinese Society of Lung Cancer, China Anti-cancer Association
- Standing director of CSCO and vice president of CSCO Foundation
- Chairman of Advisory Board of DIA China
- Former director of Oncology Society, Shanghai Medical Association
- Board member of Oncology Society, Chinese Medical Association, and chairman of Lung Cancer Expert Committee
- Chairman of Oncology Branch of Shanghai Medical Doctor Association

- Associate editor of Journal of Thoracic Oncology, associate editor of Lung Cancer, and editorial board member of The Oncologist
- Standing director of Shanghai Anti-cancer Association; and
- Vice chairman of Precision Medicine Branch, China Medicinal Biotech Association.

Dr. Lu holds a medical doctoral degree (major in clinical medicine) from Shanghai Medical University in China in 1988 and a doctor of philosophy degree (major in oncology) from Second Military Medical University in the PRC in 2008.

## Senior Management

**Dr. De-Chao Michael Yu,** aged 60, 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 65, is an executive Director and a member of the Strategy Committee of the Company and Partner of the Company's funds. For further details, please see the paragraphs headed "Executive Directors" in "Directors" session.

**Ms. Fei You** ("**Ms. You**") has been appointed as the chief financial officer of the Company since 5 February 2024. Ms. You is responsible for the financial management and capital market activities of the Company, etc. Ms. You has over 20 years of professional experience in financial management, strategic investment and financing. Before joining the Company, she served as the chief financial officer of Jinxin Fertility Group Ltd. (a company listed on the Stock Exchange with stock code: 1951) and has successfully led its listing on the Main Board of the Stock Exchange. Prior to that, she had served in various managerial positions of 3SBio Inc. (a company listed on the Stock Exchange with stock code: 1530) and KPMG, etc.

## Joint Company Secretaries

**Ms. Yanju Wang ("Ms. Wang")**, aged 35, was appointed as our joint company secretary on 4 June 2018. She joined the Group in October 2015.

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

**Ms. Lok Yee Chan ("Ms. Chan")**, aged 34, was appointed as our joint company secretary on 4 June 2018. She joined Vistra Corporate Services (HK) Limited in 2016 and is currently a Senior Manager of Corporate Services. Ms. Chan has over nine years of experience in providing a full range of company secretarial and compliance services and is currently serving a portfolio of clients including public listed companies and private companies.

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

She has been an associate member of The Hong Kong Institute of Chartered Secretaries (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 changes in information of Directors since the last published interim report are set out below:

- Mr. Ede has retired from his position as the Chief Financial Officer, with effect from 5 February 2024. Mr. Ede continues to serve on the Board as an executive Director and a member of the Strategy Committee after his retirement from the said position; and

- Dr. Shun Lu has been appointed as an independent non-executive Director and a member of the Strategy Committee, with effect from 9 February 2024.

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

# Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended 31 December 2023.

## 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 2023, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the following deviation:

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of the chairman of the Board and the chief executive should be segregated and should not be performed by the same individual. The Company does not have separate chairman of the Board and chief executive officer, and Dr. De-Chao Michael Yu, the executive Director, currently performs these two roles. Details will be set out in section head "Chairman and Chief Executive".

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

## Model Code for Securities Transactions

The Company has adopted the Model Code as its own to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made to all the Directors and they have confirmed that they have complied with the Model Code during the year ended 31 December 2023. 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 2023.

## Board of Directors

### Board Composition

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

### Executive Directors

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

### Independent non-executive Directors

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen
Mr. Gary Zieziula
Dr. Shun Lu *(appointed on 9 February 2024)*

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 73 to 78 of this annual report.

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

### Chairman and Chief Executive

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

## Board Meetings, Committee Meetings and General Meetings

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

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

| | Number of meeting(s) attended/number of meeting(s) held for the year ended 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| Name of Director | Board | Audit Committee | Remuneration Committee | Nomination Committee | Strategy Committee | Annual General Meeting |
| **Executive Directors:** | | | | | | |
| Dr. De-Chao Michael Yu | 6/6 | N/A | 1/1 | 1/1 | 1/1 | 1/1 |
| Mr. Ronald Hao Xi Ede | 6/6 | N/A | N/A | N/A | 1/1 | 1/1 |
| **Independent Non-executive Directors:** | | | | | | |
| Dr. Charles Leland Cooney | 6/6 | 2/2 | N/A | 1/1 | 1/1 | 1/1 |
| Ms. Joyce I-Yin Hsu | 6/6 | 2/2 | 1/1 | N/A | N/A | 1/1 |
| Dr. Kaixian Chen | 6/6 | 2/2 | 1/1 | 1/1 | N/A | 0/1 |
| Mr. Gary Zieziula | 6/6 | 2/2 | N/A | N/A | 1/1 | 1/1 |

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

## Independence of Independent Non-Executive Directors

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

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

## Appointment, Re-election and Removal of Directors

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

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

## Responsibilities, Accountabilities and Contributions of the Board and Management

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

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the Group's senior management whom are responsible for overseeing the general operation, business development, finance, marketing, and operations.

## Directors' and Officers' Liabilities Insurance

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

## Board Committees

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

## Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Audit Committee comprise of four independent non-executive Directors, namely Ms. Joyce I-Yin Hsu, Dr. Kaixian Chen, Dr. Charles Leland Cooney and Mr. Gary Zieziula. Ms. Hsu is the chairwoman of the Audit Committee.

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

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

- reviewed the annual and interim results and reports, the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the financial controls system and engagement of non-audit services;
- reviewed the risk management and internal control and compliance systems, the effectiveness of the internal audit function and discussed with the management and internal audit on their findings;
- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company;
- reported to the Board on the matters in the CG Code; and
- supervised the Company's ESG issues and evaluated the performance.

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

## Remuneration Committee

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

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

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

- determining the policy for the remuneration of executive directors;
- assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee;

- made recommendations to the Board on the remuneration package of the individual executive Directors and senior management;
- reviewed and made recommendations to the Board on the remuneration of the independent non-executive Directors;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management;
- reviewed and made recommendations to the Company on the organization structure, team building and human resources development strategy; and
- reviewed and made recommendations to the Board on the Company's RS and option grant plan to the key talents in 2023.

During the Reporting Period, the Remuneration Committee has reviewed and approved the following material matters in relation to its existing share schemes:

- the grant of share options under the Post-IPO ESOP on 30 March 2023 to each of Dr. Yu, Mr. Ede, Ms. Hsu, Dr. Cooney, Dr. Chen and Mr. Zieziula;
- the grant of restricted shares under the 2020 RS Plan on 30 March 2023 to each of Dr. Yu, Mr. Ede, Ms. Hsu, Dr. Cooney, Dr. Chen and Mr. Zieziula; and
- In relation to the above grants of share options and restricted shares to independent non-executive Directors, there are no performance targets attached to the options and restricted shares granted. Having considered that the main duties of the independent non-executive Directors to the Company include providing independent judgment and reviewing major decisions made by the Board, the Remuneration Committee is of the view that in order to incentivize the independent non-executive Directors and to preserve their objectivity and independence, the grant of options and restricted shares to independent non-executive Directors without performance targets is market competitive, consistent with the Company's remuneration policy and aligns with the purpose of the 2020 RS Plan.

For details of the grants of share options and grant of restricted shares to Directors, please refer to the announcement of the Company dated 30 March 2023 and the circular of the Company dated 30 May 2023.

## Directors' remuneration policy

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

Details of the Directors' remuneration for the year ended 31 December 2023 are set out in Note 11 to the consolidated financial statements. The senior management of the Group comprise of Dr. Yu and Mr. Ede (who are also Directors), details of their remuneration for the year ended 31 December 2023 are set out in Note 35B to the consolidated financial statement.

## Nomination Committee

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

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

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

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

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, details of which will be set out in the section headed "Board Diversity Policy".

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

## Strategy Committee

The Company has established a Strategy Committee. During the Reporting Period, the Strategy Committee comprises two executive Directors, namely Dr. De-Chao Michael Yu and Mr. Ronald Hao Xi Ede, and three independent non-executive Directors namely Dr. Charles Leland Cooney, Mr. Gary Zieziula and Dr. Shun Lu. Dr. Yu is the chairman of the Strategy Committee. Dr. Lu was appointed with effect on 9 February 2024, as a member of the Strategy Committee.

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

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

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

## Company's Culture

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

During 2023, the Company continued to strengthen its cultural framework by focusing on the following:

- Mission: To empower patients worldwide with affordable, high-quality biopharmaceuticals.
- Vision: To be a premier global biopharmaceutical company.
- Strategy: To discover new medicines through innovation and deliver them through our global platforms.
- Values: Integrity, Learning Agility, Dedication, Cooperation.

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

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

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

## Board Diversity Policy

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

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

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

During the Reporting Period, the Board has reviewed and considered the implementation of the Diversity Policy to be effective. The Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors from a diverse age group with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, internal control, biopharmaceuticals R&D, medicinal chemistry, CMC, sales and marketing, investment management and finance. They obtained degrees in various areas including business administration, molecular genetics, biochemical engineering and material medical. Gender diversity of the Board stands at 14.29%, representing one female out of seven Directors. The Board targets to maintain at least the current level of female representation and will continue to regularly review the number of female representation on the Board with the ultimate goal of achieving gender diversity.

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

## Workforce diversity

The total gender diversity of the Group is balanced, at 50.23%, representing 2,447 females out of 4,872 employees (including senior management). The Group has a strong focus on promoting gender diversity in the workforce, the Company targets to maintain the current level of female representation and will continue to regularly review the percentage of female representation in the workforce with the ultimate goal of achieving gender diversity. To support the achievement of these Workforce Diversity, specific initiatives have included a review of the recruitment process, with job descriptions and postings amended to motivate a broader applicant pool, as well as changes to applicant screening and interviews. In addition, to support diversity across all facets, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours. In addition, as an important force in the Company's development, female enjoyed equal development opportunities and specific humanistic care.

## Director Nomination Policy

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

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

The Director Nomination Policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- professional qualifications and skills;
- accomplishment and experience in the pharmaceutical and biologics markets;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

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

### Appointment of New Directors:

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to external recruiting agents, internal promotion, re-designation etc.
- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria of directorship to determine whether such candidate is qualified and suitable for the directorship of the Company.
- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

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

### Re-election of Director at General Meeting:

- The Nomination Committee and/or the Board should review the overall contribution and services to the Company of the retiring Director and the level of participation and performance on the Board.
- The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria of directorship.
- The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

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

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

- required knowledge, skills and experience at a full Board composite level to effectively fulfil the Board's legal role and responsibilities;
- an appropriate balance of diversity across the Board;
- personal qualities of each candidates;
- continuity through a smooth succession of Directors; and
- compliance with the relevant legal and regulatory requirements.

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

## Corporate Governance Function

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

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

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

## Dividend Policy

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

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023 (31 December 2022: Nil).

## Board Independence Policy

The Company recognizes that Board independence is key to good corporate governance. As part of the established governance framework, the Group has adopted the board independence mechanisms (the "**Board Independence Mechanisms**") during 2023, which demonstrates the Company's commitment to high standards of corporate governance, and making good governance integral to the Company's culture.

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

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

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

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

During 2023, the Company adopted the anti-corruption and whistleblowing policy (the "**Anti-corruption and Whistleblowing Policy**"), which outlines the principles and guidelines that the Company intends to apply to promote and support anti-corruption laws and regulations and establishes a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity with the internal control department of the Company, which will then report to the Audit Committee about any material improprieties related to the Company. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

## Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

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.

Dr. Shun Lu (appointed on 9 February 2024) obtained legal advice on 7 February 2024, as required under rule 3.09D of the Listing Rules from the legal advisor of the Company and confirmed he understood his obligations as a director of a listed company.

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

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

## Auditors' Responsibility and Remuneration

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the year ended 31 December 2023. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 96 to 101.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended 31 December 2023 are set out in the table below:

| Services rendered for the Company | Total Fees paid and payable RMB'000 |
|---|---|
| **Audit services:** | |
| Annual audit services | 3,280 |
| Assurance services of review of interim result | 1,100 |
| **Non-audit services:** | |
| Tax advisory services | 587 |
| Total | 4,967 |

## Risk Management and Internal Controls

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

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

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

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

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

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

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

In 2023, the Board and Audit Committee continue to review and monitor, and continually adopting new mechanisms to improve the internal control procedures and policies for the accounting of share-based payment.

## 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 senior 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 one 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 voting rights, on a one vote per share basis, in the share 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 recognized 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 voting rights, on a one vote per share basis, in the share capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law of Cayman Islands (as revised and amended from time to time) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

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

### Putting Forward Enquiries to the Board and Contact Details

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

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

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

## Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**"), which aims to set out the approach of the Board to provide Shareholders of the Company and other stakeholders (including potential investors) with balanced and understandable information about the Company. For details of the policy, please refer to the Company's website. In accordance with the Shareholders' Communication Policy, the Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings, annual and interim earning release meetings, road shows and other communication meetings and social networks. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

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

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

## Changes in Constitutional Documents

On 21 June 2023, the Company adopted the fourteenth amended and restated memorandum and articles of association of the Company in substitution for and to the exclusion of the previous thirteenth amended and restated memorandum and articles of association of the Company, to bring the articles of association to comply with the core shareholders' protection requirements as set out in Appendix A1 to the Listing Rules. For further details, please refer to the circular of the Company dated 30 May 2023.

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

Deloitte. 德勤

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

## Opinion

We have audited the consolidated financial statements of Innovent Biologics, Inc. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 102 to 197, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| ***Cut-off of research and development expenses*** | |
| We identified the cut-off of research and development ("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 including contract research organisations and clinical trial sites (collectively referred to as the "Outsourced Service Providers") in the appropriate reporting period based on the progress of the R&D projects.<br><br>The Group incurred significant R&D expenses of RMB2,228 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, of which, RMB618 million R&D expenses were accrued as at 31 December 2023 as set out in note 25 to the consolidated financial statements. The accrued R&D expenses were service fees payable to Outsourced Service Providers.<br><br>As disclosed in note 4 to the consolidated financial statements, 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 2023. | Our procedures in relation to the cut-off of R&D expenses included:<br><br>• Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expenses including service fees incurred to Outsourced Service Providers;<br><br>• For the service fees incurred to contract research organisations, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by the representatives of the relevant contract research organisations, on a sample basis, to determine whether the service fees were recorded based on respective contract sums, progress and/or relevant milestones achieved; and<br><br>• For the service fees incurred to clinical trial sites, testing the accrual of the clinical trial related costs, on a sample basis, with reference to the clinical trial data and terms of services. |

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| ***Impairment assessment of trade receivables*** | |
| We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimation in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.<br><br>As disclosed in note 20 to the consolidated financial statements, the Group's net trade receivables amounting to approximately RMB1,006 million as at 31 December 2023.<br><br>As disclosed in notes 4 and 37 to the consolidated financial statements, trade receivables with significant balances and are assessed for ECL individually while for the remaining balances, collective assessment is adopted. 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. | Our procedures in relation to the impairment assessment of trade receivables included:<br><br>• Understanding key controls on how management estimates the loss allowance for trade receivables;<br><br>• Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2023, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents;<br><br>• Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2023, including their identification of significant balances 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 and each category in the collective assessment (with reference to default rates and forward-looking information); and<br><br>• Evaluating the disclosures regarding the impairment assessment of trade receivables in note 37 to the consolidated financial statements. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the director of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung, Wilfred.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
20 March 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year end 31 December 2023

| | NOTES | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Revenue from contracts with customers | 5 | **6,206,070** | 4,556,380 |
| Cost of sales | | **(1,136,266)** | (930,990) |
| Gross profit | | **5,069,804** | 3,625,390 |
| Other income | 6 | **552,350** | 279,735 |
| Other gains and losses | 7 | **81,164** | 774,340 |
| Research and development expenses | | **(2,227,556)** | (2,871,220) |
| Administrative and other expenses | | **(750,278)** | (835,488) |
| Selling and marketing expenses | | **(3,100,693)** | (2,590,765) |
| Royalties and other related payments | | **(670,578)** | (450,763) |
| Finance costs | 8 | **(98,624)** | (101,698) |
| Loss before tax | 9 | **(1,144,411)** | (2,170,469) |
| Income tax credit (expense) | 12 | **116,498** | (8,801) |
| Loss for the year | | **(1,027,913)** | (2,179,270) |
| Other comprehensive income (expense) | | | |
| *Item that will not be reclassified to profit or loss* | | | |
| Fair value gain (loss) on investment in equity instruments at fair value through other comprehensive income ("**FVTOCI**") | | **15,731** | (876) |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences arising on translation of foreign operations | | **(1,660)** | (20,446) |
| Other comprehensive income (expense) for the year, net of income tax | | **14,071** | (21,322) |
| Total comprehensive expense for the year | | **(1,013,842)** | (2,200,592) |
| Loss per share | 13 | | |
| – Basic (RMB Yuan) | | **(0.66)** | (1.46) |
| – Diluted (RMB Yuan) | | **(0.66)** | (1.46) |

# Consolidated Statement of Financial Position

At 31 December 2023

| | NOTES | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **4,289,734** | 3,411,496 |
| Right-of-use assets | 15 | **366,650** | 414,650 |
| Intangible assets | 16 | **1,270,267** | 1,198,163 |
| Equity instruments at FVTOCI | 18 | **218,301** | 202,570 |
| Prepayments for acquisition of long-term assets | | **195,519** | 234,573 |
| Prepayments and other receivables | 21 | **283,116** | 193,058 |
| Other financial assets | 22 | **575,788** | 427,627 |
| | | **7,199,375** | 6,082,137 |
| **Current assets** | | | |
| Inventories | 19 | **968,088** | 1,428,882 |
| Trade receivables | 20 | **1,005,891** | 575,269 |
| Prepayments and other receivables | 21 | **484,377** | 336,521 |
| Other financial assets | 22 | **917,534** | 3,213 |
| Bank balances and cash | 23 | **10,052,095** | 9,162,823 |
| | | **13,427,985** | 11,506,708 |
| **Current liabilities** | | | |
| Trade and bills payables | 24 | **372,549** | 325,622 |
| Other payables and accrued expenses | 25 | **2,467,771** | 1,820,977 |
| Contract liabilities | 26 | **416,166** | 434,911 |
| Borrowings | 27 | **1,195,155** | 888,000 |
| Lease liabilities | 28 | **25,175** | 26,392 |
| Tax payables | | **–** | 3,296 |
| | | **4,476,816** | 3,499,198 |
| **Net current assets** | | **8,951,169** | 8,007,510 |
| **Total assets less current liabilities** | | **16,150,544** | 14,089,647 |

# Consolidated Statement of Financial Position

At 31 December 2023

| | NOTES | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Contract liabilities | 26 | **450,312** | 569,096 |
| Borrowings | 27 | **2,326,777** | 2,215,433 |
| Lease liabilities | 28 | **73,422** | 98,683 |
| Government grants | 29 | **509,739** | 314,181 |
| Other financial liabilities | 30 | **262,713** | 162,305 |
| | | **3,622,963** | 3,359,698 |
| Net assets | | **12,527,581** | 10,729,949 |
| **Capital and reserves** | | | |
| Share capital | 31 | **112** | 105 |
| Reserves | | **12,527,469** | 10,729,844 |
| **Total equity** | | **12,527,581** | 10,729,949 |

The consolidated financial statements on pages 102 to 197 were approved and authorised for issue by the board of directors on 20 March 2024 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 end 31 December 2023

| | Share capital RMB'000 | Share premium RMB'000 | FVTOCI reserve RMB'000 | Other reserve RMB'000 (note) | Translation reserve RMB'000 | Share-based payment reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2022 | 101 | 22,493,658 | (120,009) | (313,652) | 1,995 | 828,689 | (12,560,385) | 10,330,397 |
| Loss and other comprehensive expense for the year | – | – | (876) | – | (20,446) | – | (2,179,270) | (2,200,592) |
| Recognition of equity-settled share-based payment | – | – | – | – | – | 469,085 | – | 469,085 |
| Issue of ordinary shares (note 31(a)) | 4 | 2,088,999 | – | – | – | – | – | 2,089,003 |
| Issuance of restricted shares (note 31(c)) | –* | 37,877 | – | – | – | (37,877) | – | – |
| Exercise of share options (note 31(b)) | –* | 85,104 | – | – | – | (43,048) | – | 42,056 |
| At 31 December 2022 | 105 | 24,705,638 | (120,885) | (313,652) | (18,451) | 1,216,849 | (14,739,655) | 10,729,949 |
| At 1 January 2023 | **105** | **24,705,638** | **(120,885)** | **(313,652)** | **(18,451)** | **1,216,849** | **(14,739,655)** | **10,729,949** |
| Loss and other comprehensive income (expense) for the year | **-** | **-** | **15,731** | **-** | **(1,660)** | **-** | **(1,027,913)** | **(1,013,842)** |
| Recognition of equity-settled share-based payment | **-** | **-** | **-** | **-** | **-** | **574,197** | **-** | **574,197** |
| Issue of ordinary shares (note 31(d)) | **5** | **2,161,480** | **-** | **-** | **-** | **-** | **-** | **2,161,485** |
| Issuance of restricted shares (note 31(f)) | **1** | **323,601** | **-** | **-** | **-** | **(323,602)** | **-** | **-** |
| Exercise of share options (note 31(e)) | **1** | **133,777** | **-** | **-** | **-** | **(57,986)** | **-** | **75,792** |
| At 31 December 2023 | **112** | **27,324,496** | **(105,154)** | **(313,652)** | **(20,111)** | **1,409,458** | **(15,767,568)** | **12,527,581** |

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

*: Amount is less than RMB1,000.

# Consolidated Statement of Cash Flows

For the year end 31 December 2023

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Loss before tax | **(1,144,411)** | (2,170,469) |
| Adjustments for: | | |
| Loss (gain) on disposal of property, plant and equipment | **952** | (60) |
| Depreciation of property, plant and equipment | **275,595** | 245,088 |
| Amortisation of intangible assets | **74,887** | 42,635 |
| Impairment of intangible assets | **115,359** | – |
| Depreciation of right-of-use assets | **34,621** | 31,699 |
| Net foreign exchange gains | **(60,824)** | (737,720) |
| Gain from changes in fair value of other financial assets measured at fair value through profit or loss ("**FVTPL**") | **(30,807)** | (2,430) |
| Gain from disposal of other financial assets measured at FVTPL | **–** | (2,672) |
| Share-based payment expenses | **574,197** | 469,490 |
| Research and development expenses paid by partners of joint operations | **42,826** | 53,885 |
| Government grants income related to asset | **(9,540)** | (11,456) |
| Interest income | **(452,837)** | (189,537) |
| Interest on bank borrowings | **93,303** | 90,807 |
| Interest on lease liabilities | **5,321** | 10,891 |
| Loss (gain) from changes in fair value of other financial liabilities measured at FVTPL | **9,515** | (16,510) |
| Inventory impairment loss, net of reversal | **101,849** | 23,746 |
| Operating cash flows before movements in working capital | **(369,994)** | (2,162,613) |
| Decrease (increase) in inventories | **358,945** | (105,388) |
| (Increase) decrease in trade receivables | **(430,622)** | 393,136 |
| Increase in prepayments and other receivables | **(108,989)** | (106,382) |
| Increase in trade and bills payables | **46,927** | 130,572 |
| Increase (decrease) in other payables and accrued expenses | **675,755** | (207,071) |
| (Decrease) increase in contract liabilities | **(137,529)** | 189,994 |
| (Decrease) Increase in government grants | **(1,098)** | 15,047 |
| Cash generated from (used in) operations | **33,395** | (1,852,705) |
| Income tax refund | **144,516** | – |
| Income tax paid | **(30,101)** | (66,099) |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | **147,810** | (1,918,804) |

# Consolidated Statement of Cash Flows

For the year end 31 December 2023

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| INVESTING ACTIVITIES | | |
| Interest received | **306,302** | 107,259 |
| Placement of term deposits with maturity dates over three months | **(8,413,504)** | (10,111,103) |
| Placement of pledged bank deposit | **(747,000)** | (306,442) |
| Purchase of property, plant and equipment | **(1,119,385)** | (896,896) |
| Purchase of financial assets at FVTPL | **(164,141)** | (214,601) |
| Purchase of other financial assets at amortised cost | **(836,822)** | – |
| Upfront payments for right-of-use assets/leasehold land | **(1,725)** | (16,230) |
| Proceed from disposal of leasehold land | **16,230** | – |
| Purchase of intangible assets | **(262,350)** | (468,604) |
| Release of term deposits with maturity dates over three months | **9,244,320** | 9,375,075 |
| Release of pledged bank deposits | **807,444** | 514,455 |
| Proceeds on release of financial assets at FVTPL | **–** | 644,770 |
| Proceeds from disposal of property plant and equipment | **54** | 190 |
| Receipt of government grants related to property, plant and equipment | **206,196** | 15,823 |
| Repayment to a partner of joint operations | **(34,281)** | (78,881) |
| NET CASH USED IN INVESTING ACTIVITIES | **(998,662)** | (1,435,185) |
| FINANCING ACTIVITIES | | |
| Interest paid | **(127,613)** | (104,884) |
| New borrowings raised | **1,335,549** | 1,080,172 |
| Repayment of borrowings | **(917,050)** | (365,000) |
| Repayment of lease liabilities | **(31,799)** | (27,738) |
| Payment of transaction costs attributable to issuance of new shares | **(17,839)** | – |
| Proceeds from issue of ordinary shares | **2,179,324** | 2,089,003 |
| Proceeds from exercise of share options | **75,792** | 42,056 |
| Proceeds from other partners of investment funds consolidated | **90,893** | 178,473 |
| NET CASH FROM FINANCING ACTIVITIES | **2,587,257** | 2,892,082 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | **1,736,405** | (461,907) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | **1,016,165** | 1,359,408 |
| Effects of foreign exchange rate changes | **(6,877)** | 118,664 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER (note 23) | **2,745,693** | 1,016,165 |

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

### New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**"), for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements:

| | |
|---|---|
| IFRS 17(including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform – Pillar Two model Rules |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |

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

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

### 2.1 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January, 2022;

(ii) the Group also, as at 1 January, 2022, recognised 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 difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance. And it has no impact on the retained earnings at the earliest year presented.

### 2.2 Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The application of the amendments has had no material impact on the Group's financial position and performance.

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

### 2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

#### Amendments to IFRSs in issue but not yet effective

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

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to IAS 21 | Lack of Exchangeability[3] |

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

### 2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

#### Amendments to IFRSs in issue but not yet effective (Continued)

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

#### Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

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

### 2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

#### Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

Based on the Group's outstanding liabilities as at 31 December 2023, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 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.

#### Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information

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.

#### Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 26.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. 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.

### Cash and cash equivalents

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Government grants

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

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

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

#### Employee benefits

**Retirement benefit costs**

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.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (Continued)

### Share-based payments

**Equity-settled share-based payment transactions**

*Shares/share options granted to employees*

Equity-settled share-based payments to employees 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.

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.

### Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Taxation (Continued)

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (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 lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

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

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

### Property, plant and equipment

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

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

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.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (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.

### 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.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (Continued)

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

### Inventories

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Borrowing costs

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

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

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

#### 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, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**The Group as a lessee**

*Allocation of consideration to components of a contract*

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

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

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of office equipments which are low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (Continued)

### Leases (Continued)

**The Group as a lessee (Continued)**

*Right-of-use assets*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

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

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;

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (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) when the lease term has changed, 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 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, less any lease incentives receivable, 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 one or more additional 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. The associated non-lease components are included in the respective lease components.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (Continued)

### Financial instruments

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

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

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

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets the Group holds 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 not held for trading.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Financial instruments (Continued)

**Financial assets (Continued)**

*Classification and subsequent measurement of financial assets (Continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit – impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (Continued)

### Financial instruments (Continued)

**Financial assets (Continued)**

*Classification and subsequent measurement of financial assets (Continued)*

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

*Impairment of financial assets subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, rental deposits, other receivables, other loans, investment notes 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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Financial instruments (Continued)

**Financial assets (Continued)**

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

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 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.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (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)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Financial instruments (Continued)

**Financial assets (Continued)**

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (Continued)

### Financial instruments (Continued)

**Financial assets (Continued)**

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. ECL for other receivables are considered on a collective basis taking into consideration the nature of different transaction.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Financial instruments (Continued)

**Financial assets (Continued)**

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 7) as part of the net foreign exchange gains;

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the gain/(loss) from changes in fair value of other financial assets measured at FVTPL (note 7);

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through other comprehensive income.

**Financial liabilities and equity**

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

*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.

# 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

## 3.2 Material accounting policy information (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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### Financial instruments (Continued)

**Financial liabilities and equity (Continued)**

*Financial liabilities at amortised cost*

Financial liabilities including trade and bills payables, other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 7) as part of foreign exchange gains for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

*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.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Critical judgement in applying accounting policies (Continued)

#### Capitalisation of 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 incurred significant R&D expenses of RMB2,228 million as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, of which, RMB618 million R&D expenses were accrued as at 31 December 2023 as set out in note 25 to the consolidated financial statements. 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 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 are assessed for ECL individually. In addition, for trade receivables which are individually insignificant, collective assessment is adopted. 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 37.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### Recognition of revenue arising from collaboration

The Group entered into collaboration agreements and to provide licences to customers. Upfront fee, development milestone fee and other consideration received are recorded under contract liabilities. The Group transfers the contract liabilities to licence fee income over time on a systematic basis that is consistent with the customer receives and consumes the benefits. During the year ended 31 December 2023, licence fee income arising from collaboration of RMB442,331,000 (2022: RMB396,751,000) was recognised based on the actual sales against the total budgeted sales during the commercialisation period. Management revise its total budgeted sales from time to time based on changes in facts and circumstances.

#### Impairment assessment of intangible assets not yet available for use

Intangible assets not ready for use are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The Group capitalised expense in respect of the licenses for a few particular molecules with the goal of developing and commercializing.

Determining whether intangible assets not ready for use is impaired requires an estimation of recoverable amount of the cash-generating unit to which the intangible assets belong, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arising from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

As at December 31, 2023, the carrying amounts of capitalized development costs not yet available for use is RMB546 million (2022: RMB616 million), net of accumulated impairment loss RMB115 million(2022: Nil). Details of the assessment of impairment of intangible assets not yet available for use are disclosed in note 16.

#### Fair value measurements of financial instruments

As at 31 December 2023, certain of the Group's Level 3 unlisted equity investments and investments in preference shares amounting to RMB364,327,000 (2022: RMB216,238,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 37c for further disclosures.

# 5. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

## (i) Disaggregation of revenue from contracts with customers

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:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Timing of revenue recognition** | | |
| *A point in time* | | |
| Sales of pharmaceutical products | **5,728,314** | 4,139,084 |
| Licence fee income | **5,098** | 20,304 |
| | **5,733,412** | 4,159,388 |
| *Overtime* | | |
| Research and development service fee income | **30,327** | 241 |
| Licence fee income | **442,331** | 396,751 |
| | **472,658** | 396,992 |
| | **6,206,070** | 4,556,380 |

### Segment information

For the purpose of resource allocation and assessment of segment performance, the chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and except for entity-wide disclosures, major customers and geographic information, no further analysis of the segment is presented.

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

### (i) Disaggregation of revenue from contracts with customers (Continued)

#### Geographical information

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

**Revenue by geographical location**

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| The PRC | **5,753,345** | 4,132,539 |
| United States of America ("USA") | **442,601** | 411,034 |
| Other | **10,124** | 12,807 |
| | **6,206,070** | 4,556,380 |

#### Information about major customers

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

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Customer A (note) | **3,295,831** | 2,580,627 |

Note: Customer A is a multinational group. Revenue from customer A is mainly from sales of pharmaceutical products and licence fee income.

### (ii) Performance obligations for contracts with customers and revenue recognition policies

#### 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. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Under the Group's standard contract terms, customers can only return or request refund if the goods delivered do not meet required quality standards. Following the delivery, the customer 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 the customer. The normal credit term is 45 – 60 days upon delivery.

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

### (ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

#### Sales of pharmaceutical products (Continued)

As at 31 December 2023, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of the reporting period. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

#### Licence fee income – over time

The Group entered into collaboration agreements and to provide licences to customers. Upfront fee, development milestone fee and other consideration received are recorded under contract liabilities. The Group transfers the contract liabilities to licence fee income over time on a systematic basis that is consistent with the customer receives and consumes the benefits.

#### Licence fee income – a point in time

The Group provides licence of its patented intellectual property ("IP") to customers. Licence fee income is recognised at a point in time upon the customer obtains control on the usage of the IP.

For contracts that contain variable consideration in relation to milestone payment and sales-based royalty from license agreement, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which best 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 each 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 royalty promised in exchange for a licence of IP only when (or as) the later of the following events occurs:

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

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

### (ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

#### Research and development agreements with customers

The Group entered into research and development agreements with customers. The Group earns revenues by providing research services to the customers. Contract duration is over a year. Upfront payments (if any) received by the Group was initially recognised as a contract liability. Services revenue is recognised as a performance obligation satisfied over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group uses units produced/services transferred to the customer to date (output method) to measure progress towards complete satisfaction of these performance obligations. Payment for services is not due from the customer until the related payment milestone is completed and then a contract asset is transferred to trade receivables.

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognising revenue are as details set out in note 26.

## 6. OTHER INCOME

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Interest income | **452,837** | 189,537 |
| Government grants income (note) | **99,513** | 90,198 |
| | **552,350** | 279,735 |

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; and (iii) incentive which has no specific conditions attached to the grants.

## 7. OTHER GAINS AND LOSSES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| (Loss) gain on disposal of property, plant and equipment | **(952)** | 60 |
| Gain from changes in fair value of other financial assets measured at FVTPL (note 22) | **30,807** | 2,430 |
| Gain from disposal of other financial assets measured at FVTPL | **–** | 2,672 |
| (Loss) gain from changes in fair value of other financial liabilities measured at FVTPL | **(9,515)** | 16,510 |
| Net foreign exchange gains | **60,824** | 752,054 |
| Others | **–** | 614 |
| | **81,164** | 774,340 |

## 8. FINANCE COSTS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Interest on bank borrowings | **126,214** | 106,303 |
| Interest on lease liabilities | **5,321** | 10,891 |
| Total borrowing costs | **131,535** | 117,194 |
| Less: amounts capitalised in the cost of qualifying assets (note) | **(32,911)** | (15,496) |
| | **98,624** | 101,698 |

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

## 9. LOSS BEFORE TAX

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Loss before tax has been arrived at after charging: | | |
| Directors' emoluments (note 11) | **171,327** | 171,378 |
| Other staffs costs: | | |
| Salaries and other allowances | **1,146,899** | 1,440,626 |
| Performance related bonus | **693,356** | 384,313 |
| Retirement benefit scheme contributions | **284,370** | 313,780 |
| Share-based payment expenses | **448,017** | 339,465 |
| Total staff costs | **2,743,969** | 2,649,562 |
| Depreciation of property, plant and equipment | **275,595** | 245,088 |
| Amortisation of intangible assets | **74,887** | 42,635 |
| Depreciation of right-of-use assets | **34,621** | 31,699 |
| Capitalised in inventories | **(134,281)** | (141,654) |
| | **250,822** | 177,768 |
| Auditors' remuneration | **3,280** | 3,198 |
| Cost of inventories recognised as an expense | **408,742** | 542,406 |
| Inventory impairment loss, net of reversal, included in cost of sales | **101,849** | 23,746 |
| Intangible assets impairment loss, included in R&D expense | **115,359** | – |

## 10. DIVIDENDS

No dividend was paid or proposed for the shareholders of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### Directors

Details of the emoluments paid or payable to the directors of the Company and the chief executive of the Company by the group entities during the reporting period are as follows:

**Year ended 31 December 2023**

| | Fees RMB'000 | Salaries and other allowances RMB'000 | Performance related bonus RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Executive directors: | | | | | |
| Yu, De-Chao Michael ("**Dr. Yu**") | – | 2,897 | 33,547 | – | 36,444 |
| Ede, Hao Xi Ronald ("**Mr. Ede**") | – | 2,592 | 4,511 | – | 7,103 |
| | – | 5,489 | 38,058 | – | 43,547 |
| Independent non-executive directors: | | | | | |
| Cooney, Charles L. | 400 | – | – | – | 400 |
| Hsu, I-Yin Joyce | 400 | – | – | – | 400 |
| Chen, Kaixian | 400 | – | – | – | 400 |
| Zieziula Gary | 400 | – | – | – | 400 |
| | 1,600 | – | – | – | 1,600 |
| | 1,600 | 5,489 | 38,058 | – | 45,147 |

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

### Directors (Continued)

**Year ended 31 December 2022**

| | Fees RMB'000 | Salaries and other allowances RMB'000 | Performance related bonus RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Executive directors: | | | | | |
| Dr. Yu | – | 2,899 | 30,061 | – | 32,960 |
| Mr. Ede | – | 2,485 | 4,475 | – | 6,960 |
| | – | 5,384 | 34,536 | – | 39,920 |
| Non-executive director: | | | | | |
| Chen, Shuyun (note a) | – | – | – | – | – |
| Independent non-executive directors: | | | | | |
| Cooney, Charles L. | 400 | – | – | – | 400 |
| Hsu, I-Yin Joyce | 400 | – | – | – | 400 |
| Chen, Kaixian | 400 | – | – | – | 400 |
| Zieziula Gary (note b) | 233 | – | – | – | 233 |
| | 1,433 | – | – | – | 1,433 |
| | 1,433 | 5,384 | 34,536 | – | 41,353 |

Notes:

a. Chen, Shuyun resigned as a non-executive director of the Company on 25 February 2022.

b. Zieziula Gary was appointed as an independent non-executive director of the Company on 1 June 2022.

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

### Directors (Continued)

In addition, share-based payment expenses of RMB99,562,000 (2022: RMB106,471,000), RMB24,306,000 (2022: RMB22,671,000), RMB409,000 (2022: RMB184,000), RMB409,000 (2022: RMB184,000), RMB164,000 (2022: RMB74,000) and RMB1,330,000 (2022: RMB441,000) are respectively recognised in connection with the amortisation of share options and restricted shares charges on the employee stock option plan ("ESOP") and restricted shares ("RS") granted to Dr. Yu, Mr. Ede, Cooney, Charles L., Hsu, I-Yin Joyce, Chen, Kaixian and Zieziula Gary.

The executive directors' emoluments shown above were for their services as directors of the Company in connection with management of the affairs of the Company and Group.

The independent non-executive directors' and non-executive director's emoluments shown above were for their services as directors of the Company.

Dr. Yu is also the chief executive of the Company, and his emoluments disclosed above included those services rendered by him as the chief executive.

Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

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

### Employees

The five highest paid individuals of the Group during the year included two directors (2022: two directors) of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2022: three) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Salaries and other allowances | **22,819** | 22,880 |
| Performance related bonus | **14,460** | 14,384 |
| Share-based payment expenses | **129,861** | 119,401 |
| Retirement benefits scheme | **891** | 802 |
| | **168,031** | 157,467 |

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

### Employees (Continued)

The emoluments of these five highest paid individuals during the reporting period were fell within the following bands:

| | Number of individuals Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| HK$11,000,001 to HK$11,500,000 | **–** | 1 |
| HK$13,500,001 to HK$14,000,000 | **1** | – |
| HK$29,000,001 to HK$29,500,000 | **–** | 1 |
| HK$31,500,001 to HK$32,000,000 | **1** | – |
| HK$34,000,001 to HK$34,500,000 | **–** | 1 |
| HK$34,500,001 to HK$35,000,000 | **1** | – |
| HK$141,000,001 to HK$141,500,000 | **1** | – |
| HK$141,500,001 to HK$142,000,000 | **–** | 1 |
| HK$150,500,001 to HK$151,000,000 | **1** | – |
| HK$161,500,001 to HK$162,000,000 | **–** | 1 |
| | **5** | 5 |

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the directors of the Company nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years ended 31 December 2023 and 2022, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. Further, no consideration was provided to or receivable by third parties for making available directors' services. There are also no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

## 12. INCOME TAX (CREDIT) EXPENSE

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Current tax | | |
| Income tax | **224** | 3,140 |
| Over provision in prior years | **(887)** | (48,288) |
| Withholding tax (note) | **(115,835)** | 53,949 |
| | **(116,498)** | 8,801 |

Note: 信達生物製藥(蘇州)有限公司 Innovent Biologics (Suzhou) Co., Ltd.* ("**Innovent Suzhou**") is entitled to RMB144.5 million tax refund for income tax withheld in 2020 from license fee income with a USA based customer.

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%.

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 12 December 2022, and has been registered with the local tax authorities for enjoying the reduced 15% Enterprise Income Tax rate (the "**EIT rate**") for a term of three years from 2022 to 2024.

In addition, Innovent Suzhou is subject to withholding tax on licence fee income received from USA based customers amounting to RMB28,328,000 (2022: RMB53,949,000) for the year ended 31 December 2023.

Innovent HK has accrued RMB353,000(2022: RMB: Nil) withholding tax on license fee income for the year ended 31 December 2023.

## 12. INCOME TAX (CREDIT) EXPENSE (Continued)

The tax (credit) 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:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Loss before tax | **(1,144,411)** | (2,170,469) |
| Tax charge at the PRC EIT rate of 25% | **(286,103)** | (542,617) |
| Tax effect of expenses not deductible for tax purpose | **420,523** | 287,101 |
| Tax effect of income not taxable for tax purpose | **(130,118)** | (374,440) |
| Effect of research and development expenses that are additionally deducted (note) | **(356,520)** | (469,368) |
| Tax effect of tax losses not recognised | **230,232** | 910,891 |
| Tax effect of deductible temporary differences not recognised | **122,210** | 191,573 |
| Withholding tax on license fee income | **(115,835)** | 53,949 |
| Over provision in prior years | **(887)** | (48,288) |
| Tax (credit) charge for the year | **(116,498)** | 8,801 |

Note: Pursuant to Caishui [2023] circular No. 7, Innovent Suzhou and 蘇州信達生物科技有限公司 Innovent Biologics Technology (Suzhou) Co., Ltd.* ("**Innovent Technology**") and 信達細胞製藥(蘇州)有限公司 Innovent Cells Pharmaceuticals (Suzhou) Co., Ltd. * enjoy super deduction of 200% (2022: 175%) on qualified research and development expenditures for the years ended 31 December 2022 and 2023.

* English name for identification only

As at 31 December 2023, the Group has unused tax losses of RMB10,394 million (2022: RMB9,152 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

## 12. INCOME TAX (CREDIT) EXPENSE (Continued)

The unrecognised tax losses will be carried forward and expire in years as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| 2023 | – | 75,390 |
| 2024 | **84,507** | 75,849 |
| 2025 | **47,825** | 59,766 |
| 2026 | **546,971** | 549,696 |
| 2027 onward | **8,391,165** | 7,598,696 |
| Indefinite | **1,323,364** | 792,938 |
| | **10,393,832** | 9,152,335 |

As at 31 December 2023, the Group has deductible temporary differences mainly related to government grants income and contract liabilities of RMB2,677 million (2022: RMB2,188 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 | |
|---|---|---|
| | **2023** | 2022 |
| **Loss (RMB'000)** | | |
| Loss for the year attributable to owners of the Company for the purpose of basic loss per share | **(1,027,913)** | (2,179,270) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **1,559,637,004** | 1,490,123,192 |

The computation of basic loss per share for the years ended 31 December 2023 and 2022 excluded the treasury shares and included the vested but unissued restricted shares of the Company.

### (b) Diluted

#### 31 December 2023 and 2022

The Company had two categories of potential ordinary shares which are restricted shares awarded under the Pre-IPO Share Incentive Plan (the "**Pre-IPO Plan**"), 2018 Restricted Shares Plan (the "**2018 RS Plan**"), 2020 Restricted Shares Plan (the "**2020 RS Plan**") and the shares options awarded under Pre-IPO Plan and Post-IPO share option scheme (the "**Post-IPO ESOP**"), as details set out in note 32. As the Group incurred losses for the years ended 31 December 2023 and 2022, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the years ended 31 December 2023 and 2022 is the same as basic loss per share.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Leasehold improvement RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and equipment RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| At 1 January 2022 | 389,725 | 106,848 | 1,307,806 | 104,986 | 7,298 | 1,293,149 | 3,209,812 |
| Additions | – | – | – | – | – | 963,728 | 963,728 |
| Transfer | 12,735 | 809 | 1,097,539 | 7,060 | – | (1,118,143) | – |
| Disposal | – | – | (296) | (6) | (1,184) | – | (1,486) |
| At 31 December 2022 | **402,460** | **107,657** | **2,405,049** | **112,040** | **6,114** | **1,138,734** | **4,172,054** |
| Additions | **210** | **2,682** | **4,594** | **110** | **–** | **1,146,434** | **1,154,030** |
| Transfer | **–** | **12,532** | **126,967** | **3,554** | **68** | **(143,121)** | **–** |
| Disposal | **–** | **(1,059)** | **(136)** | **(434)** | **–** | **–** | **(1,629)** |
| Exchange adjustments | **–** | **11** | **421** | **32** | **–** | **442** | **906** |
| At 31 December 2023 | **402,670** | **121,823** | **2,536,895** | **115,302** | **6,182** | **2,142,489** | **5,325,361** |
| DEPRECIATION | | | | | | | |
| At 1 January 2022 | 50,379 | 61,090 | 342,993 | 56,477 | 5,887 | – | 516,826 |
| Provided for the year | 9,424 | 21,701 | 195,018 | 18,062 | 883 | – | 245,088 |
| Disposal | – | – | (166) | (6) | (1,184) | – | (1,356) |
| At 31 December 2022 | **59,803** | **82,791** | **537,845** | **74,533** | **5,586** | **–** | **760,558** |
| Provided for the year | **10,933** | **9,392** | **241,262** | **14,487** | **(479)** | **–** | **275,595** |
| Disposal | **–** | **(119)** | **(70)** | **(434)** | **–** | **–** | **(623)** |
| Exchange adjustments | **–** | **1** | **76** | **20** | **–** | **–** | **97** |
| At 31 December 2023 | **70,736** | **92,065** | **779,113** | **88,606** | **5,107** | **–** | **1,035,627** |
| CARRYING VALUE | | | | | | | |
| At 31 December 2023 | **331,934** | **29,758** | **1,757,782** | **26,696** | **1,075** | **2,142,489** | **4,289,734** |
| At 31 December 2022 | 342,657 | 24,866 | 1,867,204 | 37,507 | 528 | 1,138,734 | 3,411,496 |

## 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 2023, the Group has pledged property, plant and equipment with a net book value of RMB1,805 million (2022: RMB889 million), to secure borrowings as disclosed in the note 27.

## 15. RIGHT-OF-USE ASSETS

| | Land use right RMB'000 | Leasehold buildings RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 31 December 2023** | | | |
| Carrying amount | **275,583** | **91,067** | **366,650** |
| **As at 31 December 2022** | | | |
| Carrying amount | 295,874 | 118,776 | 414,650 |
| **For the year ended 31 December 2023** | | | |
| Additions | **1,725** | **–** | **1,725** |
| Disposal | **(16,230)** | **–** | **(16,230)** |
| Depreciation charge | **(5,786)** | **(28,835)** | **(34,621)** |
| Exchange adjustments | **–** | **1,126** | **1,126** |
| | (20,291) | (27,709) | (48,000) |
| **For the year ended 31 December 2022** | | | |
| Additions | 16,230 | 33,257 | 49,487 |
| Depreciation charge | (6,331) | (25,368) | (31,699) |
| | 9,899 | 7,889 | 17,788 |

## 15. RIGHT-OF-USE ASSETS (Continued)

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Expense relating to short-term leases | **22** | 52 |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | **701** | 1,692 |
| Total cash outflow for leases | **34,247** | 56,603 |

For the years ended 31 December 2023 and 2022, 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 2023, 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 RMB98,597,000 are recognised with related right-of-use assets of RMB91,067,000 as at 31 December 2023 (2022: lease liabilities of RMB125,075,000 are recognised with related right-of-use assets of RMB118,776,000).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 2023, the Group has pledged right-of-use assets with a net book value of RMB276 million (2022: RMB280 million) to secure borrowings as disclosed in the note 27.

## 16. INTANGIBLE ASSETS

| | Development cost RMB'000 | Software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2022 | 752,446 | 22,325 | 774,771 |
| Addition | 453,816 | 14,788 | 468,604 |
| At 31 December 2022 | 1,206,262 | 37,113 | 1,243,375 |
| Addition | 259,055 | 3,295 | 262,350 |
| At 31 December 2023 | **1,465,317** | **40,408** | **1,505,725** |
| **AMORTISATION** | | | |
| At 1 January 2022 | – | 2,577 | 2,577 |
| Charge for the year | 38,145 | 4,490 | 42,635 |
| At 31 December 2022 | 38,145 | 7,067 | 45,212 |
| Charge for the year | 69,334 | 5,553 | 74,887 |
| Impairment loss | 115,359 | – | 115,359 |
| At 31 December 2023 | **222,838** | **12,620** | **235,458** |
| **CARRYING VALUES** | | | |
| At 31 December 2022 | 1,168,117 | 30,046 | 1,198,163 |
| At 31 December 2023 | **1,242,479** | **27,788** | **1,270,267** |

Except for certain license rights and capitalized development expense not yet available for use, intangible assets are amortised on a straight-line basis over the following periods:

| | |
|---|---|
| Development cost | 10 years |
| Software | 3-10 years |

## 16. INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2023, the Group capitalised expense amounted to RMB259,055,000 (2022: RMB453,816,000), in respect of the licenses for a few particular molecules with the goal of developing and commercialising them as pharmaceutical products. Such intangible assets have finite useful lives and will start to amortise after available for use.

During the year ended 31 December 2023, an impairment loss of RMB115,359,000 is recognised as research and development expense in respect of certain development costs not yet available for use. The recoverable amount of those intangible assets was assessed to be zero as management has determined to cease the related research and development project and estimated there are no other use.

As at December 31 2023, management determined that no further impairment loss to be recognised for the remaining development costs not yet available for use with the carrying amount of RMB546,435,000 (2022: RMB616,152,000). 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. Management believes that any reasonably possible change in any of the key assumptions would not cause the recoverable amounts to be lower than their carrying amounts.

## 17. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal operating subsidiaries as at 31 December 2023 and 2022 are as follows:

| Name of subsidiaries | Place and date of incorporation/ registration/ operations | Issued and paid-up share capital/registered capital | | Shareholding/ equity interests attributable to the Company as at | | Principal activities |
|---|---|---|---|---|---|---|
| | | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 | |
| *Directly held:* | | | | | | |
| Innovent HK | Hong Kong 17 May 2011 | Issued capital of HK$10,000 and paid-up capital of HK$1 | Issued capital of HK$10,000 and paid-up capital of HK$1 | **100%** | 100% | Sales of drugs |
| Innovent Biopharmaceuticals Inc. | Cayman Islands 24 April 2020 | Issued capital of USD50,000 and paid-up capital USD50,000 | Issued capital of USD50,000 and paid-up capital USD50,000 | **100%** | 100% | Intermediate holding company |
| Innovent Biologics International Inc. | Cayman Islands 4 November 2021 | Registered capital of USD50,000 and paid-up capital of nil | Registered capital of USD50,000 and paid-up capital of nil | **100%** | 100% | Intermediate holding company |
| Innovent Cells Inc. | Cayman Islands 30 April 2021 | Registered capital of USD50,000 and paid-up capital of nil | Registered capital of USD50,000 and paid-up capital of nil | **100%** | 100% | Intermediate holding company |
| *Indirectly held:* | | | | | | |
| Innovent Suzhou | PRC 24 August 2011 | Registered capital of USD152,464,750 and paid-up capital of USD152,464,750 | Registered capital of USD152,464,750 and paid-up capital of USD152,464,750 | **100%** | 100% | Research and development and sales of drugs |
| Innovent Technology | PRC 8 July 2013 | Registered capital of RMB40,000,000 and paid-up capital of RMB40,000,000 | Registered capital of RMB40,000,000 and paid-up capital of RMB40,000,000 | **100%** | 100% | Research and development |
| Oriza Xinda International Limited | Hong Kong 20 March 2018 | Issued capital of USD50,000 and paid-up capital of nil | Issued capital of USD50,000 and paid-up capital of nil | **100%** | 100% | Intermediate holding company |

## 17. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiaries | Place and date of incorporation/ registration/ operations | Issued and paid-up share capital/registered capital 31 December 2023 | Issued and paid-up share capital/registered capital 31 December 2022 | Shareholding/ equity interests attributable to the Company as at 31 December 2023 | Shareholding/ equity interests attributable to the Company as at 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| *Indirectly held: (Continued)* | | | | | | |
| Innovent Biotechnology Co., Ltd. | PRC 20 September 2019 | Registered capital of USD100,000,000 and paid-up capital of USD75,000,000 | Registered capital of USD100,000,000 and paid-up capital of USD75,000,000 | **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 USD107,000,016 | Registered capital of USD120,000,000 and paid-up capital of USD77,000,006 | **100%** | 100% | Manufacturing |
| 江蘇眾煦醫藥有限公司 Jiangsu Zhongxu Biopharmaceuticals Co., Ltd.* | PRC 16 November 2020 | Registered capital of RMB20,000,000 and paid-up capital of RMB20,000,000 | Registered capital of RMB20,000,000 and paid-up capital of RMB20,000,000 | **100%** | 100% | Sales of drugs |
| 蘇州信成私募基金管理有限公司 Suzhou Xincheng Private Equity Fund Management Co., Ltd. * | PRC 28 April 2021 | Registered capital of RMB10,000,000 and paid-up capital of RMB5,000,000 | Registered capital of RMB10,000,000 and paid-up capital of RMB5,000,000 | **100%** | 100% | Business service |
| 蘇州信禾國清創業投資合夥企業(有限合夥) Suzhou Xinhe Guoqing venture capital partnership (limited partnership) ("Xinhe") * | PRC 6 August 2021 | Registered capital of of RMB500,000,000 Paid-up capital of of RMB200,500,000 | Registered capital of of RMB500,000,000 Paid-up capital of of RMB140,700,000 | **11% (note)** | 11% | Capital service |
| 蘇州信惠博安企業管理有限公司 Suzhou Xinhui Boan Enterprise Management Co., Ltd. * | PRC 14 April 2021 | Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000 | Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000 | **100%** | 100% | Business service |
| Innovent Biologics (USA), Inc. | United States of America 8 June 2018 | Issued capital of nil and paid-up capital of nil | Issued capital of nil and paid-up capital of nil | **100%** | 100% | Research and development |
| Innovent Biologics (Europe) Limited | England and Wales 27 July 2020 | Issued capital of GBP1 and paid-up capital of GBP1 | Issued capital of GBP1 and paid-up capital of nil | **100%** | 100% | Research and development |

## 17. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiaries | Place and date of incorporation/ registration/ operations | Issued and paid-up share capital/registered capital | | Shareholding/ equity interests attributable to the Company as at | | Principal activities |
|---|---|---|---|---|---|---|
| | | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 | |
| *Indirectly held: (Continued)* | | | | | | |
| Innovent Biopharmaceuticals (HK) Limited | Hong Kong 27 March 2020 | Issued capital of HK$10,000 and paid-up capital HK$10,000 | Issued capital of HK$10,000 and paid-up capital HK$10,000 | **100%** | 100% | Intermediate holding company |
| Innovent Cells (HK) Limited | Hong Kong 17 June 2021 | Registered capital of HK$10,000 and paid-up capital of HK$10,000 | Registered capital of HK$10,000 and paid-up capital of nil | **100%** | 100% | Intermediate holding company |
| 信達細胞製藥(蘇州)有限公司 Innovent Cells Pharmaceuticals (Suzhou) Co., Ltd. * | PRC 16 November 2021 | Registered capital of USD50,000,000 and paid-up capital of nil | Registered capital of USD50,000,000 and paid-up capital of nil | **100%** | 100% | Research and development |
| Innovent Biologics (Ireland) Limited | Ireland 1 June 2022 | Registered capital of EUR 1 and paid-up capital of EUR1 | Registered capital of EUR 1 and paid-up capital of nil | **100%** | 100% | Business service |
| 夏爾巴生物技術(杭州)有限公司 Altruist Biotechnology (Hangzhou) Limited * | PRC 24 May 2022 | Registered capital of RMB5,000,000 and paid-up capital of nil | Registered capital of RMB5,000,000 and paid-up capital of nil | **100%** | 100% | Research and development |
| 夏爾巴生物技術(蘇州)有限公司 Altruist Biotechnology (Suzhou) Limited * | PRC 29 June 2022 | Registered capital of RMB5,000,000 and paid-up capital of nil | Registered capital of RMB5,000,000 and paid-up capital of nil | **100%** | 100% | Research and development |
| 蘇州信成博康壹號創業投資合夥企業(有限合夥) Suzhou Xin Cheng Bo Kang Yi Hao Venture Capital Partnership (Limited Partnership) * | PRC 24 February 2022 | Registered capital of RMB50,000,000 and paid-up capital of RMB14,979,108 | Registered capital of RMB50,000,000 and paid-up capital of RMB14,979,108 | **100%** | 100% | Capital service |

## 17. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of subsidiaries | Place and date of incorporation/ registration/ operations | Issued and paid-up share capital/registered capital 31 December 2023 | 31 December 2022 | Shareholding/ equity interests attributable to the Company as at 31 December 2023 | 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| *Indirectly held: (Continued)* | | | | | | |
| 蘇州信成博康壹號企業管理合夥企業(有限合夥) | PRC 7 June 2022 | Registered capital of RMB51,000,000 and paid-up capital of RMB20,200,000 | Registered capital of RMB51,000,000 and paid-up capital of RMB20,200,000 | **100%** | 100% | Capital service |
| InnoPinnacle International I Inc. | Cayman Islands 11 January 2021 | Registered capital of USD50,000 and paid-up capital of nil | Registered capital of USD50,000 and paid-up capital of nil | **100%** | 100% | Business service |
| Innopinnacle Fund I L.P. ("Inno Fund") | Cayman Islands 17 March 2022 | Registered capital of USD70,000,000 and paid-up capital of USD23,086,576 | Registered capital of USD70,000,000 and paid-up capital of USD15,512,685 | **43% (note)** | 43% | Capital service |
| 上海信恒盈峰企業管理有限公司 Shanghai Xin Heng Ying Feng Enterprise Management Co., Ltd * | PRC 25 November 2022 | Registered capital of RMB2,000,000 and paid-up capital of RMB179,495 | Registered capital of RMB2,000,000 and paid-up capital of nil | **100%** | 100% | Business service |
| InnoPinnacle Fund Management Pte. Ltd. | Singapore 25 February 2022 | Registered capital of Singapore Dollar ("**SGD**") 1 and paid-up capital of SGD 1 | Registered capital of SGD 1 and paid-up capital of SGD 1 | **100%** | 100% | Business service |
| Innovent Biologics (Singapore) PTE.LTD. | Singapore 28 February 2023 | Registered capital of SGD 1 and paid-up capital of SGD 1 | N/A | **100%** | N/A | Research and development |

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

* English name for identification only

Note:

The Group is able to control Xinhe and Inno Fund because the Group undertake and have exclusive responsibility and full control for the conduct, management, operation and administration of the business.

## 18. EQUITY INSTRUMENTS AT FVTOCI

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Listed | | |
| – Equity securities (note) | **218,301** | 202,570 |

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. Gain in fair value amounting to RMB15,731,000 (2022: Loss in fair value amounting to RMB876,000) is recognised during the year ended 31 December 2023.

## 19. INVENTORIES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Raw materials | **373,922** | 584,749 |
| Work in progress | **325,101** | 484,606 |
| Finished goods | **269,065** | 359,527 |
| | **968,088** | 1,428,882 |

## 20. TRADE RECEIVABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Trade receivables from contracts with customers | **1,005,891** | 575,269 |

As at 1 January 2022, trade receivables from contracts with customers amounting to RMB968,405,000.

## 20. TRADE RECEIVABLES (Continued)

The Group allows an average credit period of 45 to 60 days to its trade customers. The following is an aging analysis of trade receivables, presented based on the invoice date.

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| 0 – 60 days | **1,005,891** | 575,269 |

As at 31 December 2023 and 2022, none of the Group's trade receivables are past due as at reporting date. Details of impairment assessment of trade receivables are set out in note 37.

## 21. PREPAYMENTS AND OTHER RECEIVABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Prepayments | **38,673** | 26,613 |
| Other receivables | **410,907** | 279,656 |
| Prepaid bonus (note) | **106,998** | 117,411 |
| Other loans | **2,808** | 3,769 |
| Other tax recoverables | **202,479** | 96,368 |
| Rental deposits | **5,628** | 5,762 |
| | **767,493** | 529,579 |
| Analysed as: | | |
| Non-current | **283,116** | 193,058 |
| Current | **484,377** | 336,521 |
| | **767,493** | 529,579 |

Note:

In consideration of future performance of their duties as directors of the Company (including Dr. Yu), the Company granted bonuses to them, which comprises subscription receivables for restricted shares, subscription receivables for share options, amount due in respect of the withholding tax resulting from the restricted shares and share options subscriptions; and amount due in respect of the withholding tax resulting from the grant of the prepaid bonuses.

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 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 2023, RMB30.3 million (2022: RMB26.8 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 RMB32.0 million (2022: RMB28.0 million) is expected to be recognised in the next twelve months and therefore, it is classified as current assets.

## 22. OTHER FINANCIAL ASSETS

| | Current | | Non-current | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Investment notes (note a) | **867,534** | – | **–** | – |
| Other investments at FVTPL | | | | |
| – Investments in preference shares (note b) | **–** | – | **401,431** | 304,323 |
| – Unlisted equity investments (note c) | **–** | – | **174,357** | 123,304 |
| – Warrant (note d) | **–** | 3,213 | **–** | – |
| – Structured deposit | **50,000** | – | **–** | – |
| | **917,534** | 3,213 | **575,788** | 427,627 |

Notes:

(a) The Group invested in notes issued by financial institutions with an interest rate as stated in the contract ranging from 4.9% to 5.9% per annum. These notes are classified as financial assets measured at amortised cost and will mature within 1 year.

(b) The amounts represent investments in preference shares in unlisted entities established in the PRC, the USA, the Indonesia, and the Cayman Islands. Gain from changes in fair value amounting to RMB52,935,000 is recognised during the year ended 31 December 2023 (2022: RMB17,962,000). Details of fair value measurements are set out in note 37.

(c) The amounts represent unlisted equity interest in entities established in the PRC and the USA. Loss from changes in fair value amounting to RMB18,947,000 is recognised during the year ended 31 December 2023 (2022: gain on fair value change amounting to RMB3,013,000). Details of fair value measurements are set out in note 37.

(d) On 14 July 2021, the Group obtained warrants for subscription of 6,787,587 ordinary shares of a listed entity incorporated in Hong Kong on or before 14 July 2023 at a price of HK$57.2 per share. The warrant is measured at FVTPL and a loss on fair value change amounting to RMB3,213,000 (2022: loss on fair value change amounting to RMB18,545,000) is recognised during the year ended 31 December 2023. Details of the above fair value instruments are set out in note 37.

## 23. BANK BALANCES AND CASH

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Cash at bank | **1,349,958** | 695,624 |
| Cash on hand | **108** | 169 |
| Term deposits with maturity date less than three months | **1,395,627** | 320,372 |
| Cash and cash equivalents | **2,745,693** | 1,016,165 |
| Term deposits with maturity date over three months (note) | **6,456,554** | 7,245,216 |
| Pledged bank deposits (note 27) | **849,848** | 901,442 |
| | **10,052,095** | 9,162,823 |

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:

| | 2023 | 2022 |
|---|---|---|
| Term deposits | **2.80%-6.55%** | 1.99%-5.50% |
| Cash at bank | **0.001%-5.30%** | 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:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| USD | **7,551,687** | 8,013,075 |
| Hong Kong Dollar ("HKD") | **233,496** | 8,909 |
| Great Britain Pound ("GBP") | **324** | 685 |

## 24. TRADE AND BILLS PAYABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Trade payables | **258,100** | 267,942 |
| Bills payables | **114,449** | 57,680 |
| | **372,549** | 325,622 |

The average credit period on trade purchases is 0 to 90 days. Aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| 0–30 days | **171,622** | 170,865 |
| 31–60 days | **44,779** | 58,614 |
| Over 60 days | **41,699** | 38,463 |
| | **258,100** | 267,942 |

Aging analysis of the Group's bills payables based on the date of issue of bills at the end of the reporting period is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| 0–90 days | **34,023** | 50,000 |
| 91–180 days | **80,426** | 7,680 |
| | **114,449** | 57,680 |

## 25. OTHER PAYABLES AND ACCRUED EXPENSES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Accrued expenses | | |
| – Research and development expenses (note a) | **617,688** | 706,815 |
| – Royalties and other related payments | **340,179** | 191,818 |
| – Selling and marketing expenses | **471,660** | 155,788 |
| – Legal and professional fee | **13,395** | 13,137 |
| – Employee reimbursement | **93,700** | 87,536 |
| – Others | **67,962** | 52,802 |
| | **1,604,584** | 1,207,896 |
| Amounts due to partners of joint operations (note b) | **42,960** | 34,415 |
| Interest payables | **2,964** | 4,363 |
| Other payables | **81,948** | 44,726 |
| Other tax payable | **194,049** | 57,719 |
| Payables in respect of acquisition of property, plant and equipment | **187,251** | 224,571 |
| Staff payroll payables | **354,015** | 247,287 |
| | **2,467,771** | 1,820,977 |

Notes:

a. Amounts included accrued service fees to outsourced service providers, namely, contract research organisation and clinical trial sites.

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

## 26. CONTRACT LIABILITIES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Amounts received in advance for license to commercialise and research service | **866,478** | 1,004,007 |
| Analysed by | | |
| Current | **416,166** | 434,911 |
| Non-current | **450,312** | 569,096 |
| | **866,478** | 1,004,007 |

As at 1 January 2022, contract liabilities amounted to RMB814,013,000.

During the year ended 31 December 2023, the Group received collaboration fee and milestone payment of RMB299.0 million (2022: RMB586.7 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 RMB442.3 million was recognised during the year ended 31 December 2023 (2022: RMB396.8 million). License fee income amounting to RMB362.2 million recognized during the year ended 31 December 2023 (2022: RMB266.5 million) was included in the contract liabilities balance at the beginning of the year.

## 27. BORROWINGS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Fixed-rate borrowings – at amortised cost | **3,521,932** | 3,103,433 |
| Analysed as: | | |
| Secured | **2,327,404** | 2,008,855 |
| Unsecured* | **1,194,528** | 1,094,578 |
| | **3,521,932** | 3,103,433 |
| The carrying amounts of the above borrowings are repayable**: | | |
| Within one year | **1,195,155** | 888,000 |
| Within a period of more than one year but not exceeding two years | **350,100** | 509,000 |
| Within a period of more than two years but not exceeding five years | **1,642,712** | 1,311,855 |
| Within a period of more than five years | **333,965** | 394,578 |
| | **3,521,932** | 3,103,433 |
| Less: Amounts due within one year shown under current liabilities | **(1,195,155)** | (888,000) |
| Amounts shown under non-current liabilities | **2,326,777** | 2,215,433 |

* With carrying amount of RMB695 million, the Group is required to pledge the qualified assets within 5 years since 30 September 2020, or repay of the loan in advance in accordance with the loan agreements.

** 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:

| | 2023 | 2022 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | **2.60% – 4.90%** | 2.60% – 4.90% |

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Property, plant and equipment (note 14) | **1,804,933** | 889,354 |
| Right-of-use assets – leasehold land (note 15) | **275,583** | 279,919 |
| Pledged bank deposits (note 23) | **849,848** | 901,442 |
| | **2,930,364** | 2,070,715 |

## 28. LEASE LIABILITIES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Lease liabilities payable:** | | |
| Within one year | **25,175** | 26,392 |
| Within a period of more than one year but not more than two years | **16,689** | 26,246 |
| Within a period of more than two years but not more than five years | **30,201** | 37,301 |
| Within a period of more than five years | **26,532** | 35,136 |
| | **98,597** | 125,075 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(25,175)** | (26,392) |
| Amount due for settlement after 12 months shown under non-current liabilities | **73,422** | 98,683 |

The weighted average incremental borrowing rates applied to lease liabilities range from 4.75% to 4.90% (2022: from 4.75% to 4.90%).

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| USD | **65,613** | 70,360 |
| HKD | **–** | 37 |

## 29. GOVERNMENT GRANTS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Subsidies related to property, plant and equipment (note a) | **495,789** | 299,133 |
| Other subsidies (note b) | **13,950** | 15,048 |
| | **509,739** | 314,181 |

Notes:

(a) The Group received government subsidies for capital expenditure incurred for the plant and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) Other subsidies are generally provided in relation to research and development activities of the Group.

## 30. OTHER FINANCIAL LIABILITIES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| The net assets attribute to other partners of investment fund consolidated | **262,713** | 162,305 |

During the year ended 31 December 2023, the Group received the proceeds from other partners of investment fund consolidated amounting to RMB90,893,000 (2022: RMB178,473,000). Other losses derived from operation of funds attribute to other partners is RMB9,515,000 (2022: Gain RMB16,510,000).

## 31. SHARE CAPITAL

| | Number of ordinary shares | Amount USD'000 |
|---|---|---|
| **Authorised** | | |
| At 1 January 2022, 31 December 2022 and 2023 | **5,000,000,000** | **50** |

## 31. SHARE CAPITAL (Continued)

| | Number of shares | Amount USD'000 | Equivalent amount of ordinary shares RMB'000 |
|---|---|---|---|
| **Issues and fully paid** | | | |
| At 1 January 2022 | 1,462,108,664 | 14 | 101 |
| Issuance of ordinary shares (note a) | 56,975,670 | 1 | 4 |
| Exercise of share options (note b) | 11,021,781 | – | – * |
| Issuance of restricted shares (note c) | 4,300,868 | – | – * |
| At 31 December 2022 | **1,534,406,983** | **15** | **105** |
| Issuance of ordinary shares (note d) | **68,000,000** | **1** | **5** |
| Exercise of share options (note e) | **11,391,528** | **–** | **1** |
| Issuance of restricted shares (note f) | **8,032,394** | **–** | **1** |
| At 31 December 2023 | **1,621,830,905** | **16** | **112** |

*: Amount is less than RMB1,000.

Notes:

(a) On 4 August 2022, the Group entered into a share issuance agreement with an independent third party pursuant to which an aggregate of 56,975,670 ordinary shares were issued to this independent third party at HK$42.42 per share. The net proceeds of this issuance is EUR300 million (equivalent to RMB2,089 million). The net proceeds received by the Group was recognised as share capital at par value of US$0.00001 each and the remaining amount was recognised as share premium of the Company.

(b) During the year ended 31 December 2022, a total of 9,962,542 and 1,059,239 ordinary shares were issued to the employees in connection with the exercise of share options under the Pre-IPO plan and Post-IPO plan at an aggregate exercise price of US$2,154,000 (equivalent to RMB14,584,000) and HK$29,976,000 (equivalent to RMB27,472,000) respectively.

(c) During the year ended 31 December 2022, a total of 4,300,868 restricted shares were issued to Dr. Yu, independent non-executive directors and other employees of the Group.

(d) On 12 September 2023, the Group issued 68,000,000 new ordinary shares at HK$34.92 per share for net proceeds of HK$2,355 million (equivalent to RMB2,161 million) (after deducting commission of HK$1.6 million and transaction cost of HK$17.8 million (equivalent to RMB1.5 million and RMB16.3 million)) from placing of new ordinary shares. The net proceeds received by the Group was recognised as share capital at par value of US$0.00001 each and the remaining amount was recognised as share premium of the Company.

(e) During the year ended 31 December 2023, a total of 9,192,493 and 2,199,035 ordinary shares were issued to the employees in connection with the exercise of share options under the Pre-IPO plan and Post-IPO plan at an aggregate exercise price of US$2,004,000 (equivalent to RMB14,220,000) and HK$67,604,000 (equivalent to RMB61,572,000) respectively.

(f) During the year ended 31 December 2023, a total of 8,032,394 restricted shares were issued to Dr. Yu, independent non-executive directors and other employees of the Group.

## 32. SHARE-BASED PAYMENT TRANSACTIONS

### (i) Pre-IPO Plan

On 10 May 2012, the shareholders of the Company approved the adoption of the Pre-IPO Plan for the purpose of incentivising, retaining and rewarding certain employees, board members and individual consultant or adviser who renders bona fide services to the Company or its subsidiaries ("Eligible Person") for their contributions the Group's business, and to align their interests with those of the Group. The Pre-IPO Plan divided into two separate equity programs: (a) share award program and (b) option and share appreciation rights grant program. The overall limit on the number of underlying shares which may be delivered pursuant to all awards granted under the Pre-IPO Plan is 165,476,820 shares of the Company, subject to any adjustments for other dilutive issuances. All restricted shares under share award program have been vested as at 31 December 2021.

#### (a) Share award program

No outstanding balances as at 31 December 2023.

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

For 7,900,000 (2022:7,900,000) 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 options granted, 75% of the granted options shall vest on the third anniversary of the vesting commencement date, and the remaining 25% shares shall vest on the fourth anniversary of the vesting commencement date. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. The share options granted are exercisable from the respective vesting dates to the last day of the ten-year period after the grant date.

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

| | Number of share options Employees | |
|---|---|---|
| | **2023** | 2022 |
| As at 1 January | **30,271,504** | 42,425,296 |
| Forfeited | **–** | (2,041,250) |
| Exercised | **(9,192,493)** | (9,962,542) |
| Expired | **–** | (150,000) |
| As at 31 December | **21,079,011** | 30,271,504 |

As at 31 December 2023, 18,681,711 (2022: 25,476,504) outstanding options under the Pre-IPO Plan were exercisable.

## 32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (i) Pre-IPO Plan (Continued)

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

For the outstanding options, vesting period ranges from 31 October 2017 to 8 October 2024, weighted average remaining contractual life being 4.38 years, exercise price ranges from US$0.04 to US$0.30 and weighted average exercise price being US$0.23.

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

| | **2023** | 2022 |
|---|---|---|
| Forfeited | **–** | US$1.07 |
| Exercised | **US$0.22** | US$0.22 |
| Expired | **–** | US$0.02 |

No share appreciation right was outstanding nor issued during any of the reporting period.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for share options granted to directors of the Company and employees are RMB2,566,000 for the year ended 31 December 2023 (2022: RMB1,156,000).

### (ii) Post-IPO ESOP

On 13 October 2018, shareholders resolution was passed to adopt the Post-IPO ESOP. The purpose of the Post-IPO ESOP is to encourage participants to work towards enhancing the value of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP is 111,815,071, being no more than 10% of the shares in issue on the date the shares commence trading on The Stock Exchange of Hong Kong Limited.

The following table discloses movements of the Company's share options held by grantees under post-IPO ESOP during the year:

| | **Number of share options** | | | |
|---|---|---|---|---|
| | **Directors of the Company** | | **Employees** | |
| | **2023** | 2022 | **2023** | 2022 |
| As at 1 January | **11,119,356** | 9,180,952 | **35,576,603** | 35,390,011 |
| Granted | **2,302,172** | 1,938,404 | **11,379,270** | 12,034,006 |
| Forfeited | **–** | – | **(4,063,091)** | (10,788,175) |
| Exercised | **–** | – | **(2,199,035)** | (1,059,239) |
| As at 31 December | **13,421,528** | 11,119,356 | **40,693,747** | 35,576,603 |

## 32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (ii) Post-IPO ESOP (Continued)

The Company granted share options to directors and employees of the Group respectively, subject to the accomplishment of certain non-market performance conditions.

The granted options shall initially be unvested. Among 2,222,969 and 714,286 shares granted in 2019 and 2021, 50% of the granted options shall vest on the fifth anniversary of the vesting commencement date and the remaining 50% of the granted shares shall vest on the sixth anniversary of the vesting commencement date. For the remaining granted options, 75% of the granted options shall vest on the third anniversary of the vesting commencement date while another 25% shall vest on the fourth anniversary of the vesting commencement date, subject to the performance condition to be fulfilled. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time before the share options expired, i.e. ten years after the date of vesting commencement.

For the outstanding options, vesting period ranges from 14 March 2022 to 22 June 2027, weighted average remaining contractual life being 7.42 years, exercise price ranges from HK$24.30 to HK$91.05 and weighted average exercise price being HK$41.71.

As at 31 December 2023, a total of 19,342,984 (2022: 4,170,318) outstanding options under the Post-IPO ESOP were exercisable.

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

| | Directors of the Company | | Employees | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Granted | **HK$38.39** | HK$30.22 | **HK$38.44** | HK$31.01 |
| Forfeited | **–** | – | **HK$47.02** | HK$53.11 |
| Exercised | **–** | – | **HK$30.74** | HK$28.30 |

## 32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (ii) Post-IPO ESOP (Continued)

#### Fair value of share options granted

Binomial Options Pricing Model was used to determine the fair value of the options granted during the years ended 31 December 2022 and 2023. 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:

| | 2023 | 2022 |
|---|---|---|
| Fair value per option on grant date | **HK$14.24 – HK$22.63** | HK$15.24 – HK$24.05 |
| Weighted average share price of the Company on grant date | **HK$30.25 – HK$42.40** | HK$27.85 – HK$36.80 |
| Exercise price | **HK$35.20 – HK$42.84** | HK$24.30 – HK$37.55 |
| Expected volatility | **44.00% – 46.00%** | 64.62% – 65.73% |
| Risk-free interest rate | **3.10% – 3.93%** | 2.16% – 3.48% |
| Expected dividend yield | **0%** | 0% |
| Post-vesting exit rate | **3.10% – 5.00%** | 0% |
| Expected exercise multiple | **2.2 – 2.6** | 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 RMB224,414,000 for the year ended 31 December 2023 (2022: RMB207,350,000).

## 32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (iii) 2018 RS Plan

On 15 October 2018, the board of directors approved the RS Plan to issue 55,907,535 restricted shares within two years of the Company's IPO. The purpose of the RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company and stimulate the efforts of such persons on the Group's behalf.

#### (a) Directors

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 and released from the Repurchase Option.

The Company granted an aggregate of 1,770,000 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 on the third anniversary of the vesting commencement while another 25% shall vest on the fourth anniversary of the vesting commencement, subject to the performance condition to be fulfilled.

#### (b) Employees

In 2019, the Company granted 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. 50% of the restricted shares shall vest on the fifth anniversary of the vesting commencement while another 50% shall vest on the sixth anniversary of the vesting commencement, subject to the performance condition to be fulfilled.

For the remaining restricted shares, the restricted shares shall initially be unvested. 75% of the restricted shares shall vest on the third anniversary of the vesting commencement while another 25% shall vest on the fourth anniversary of the vesting commencement, subject to the performance condition to be fulfilled.

## 32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (iii) 2018 RS Plan (Continued)

The following table summarised the Group's unvested restricted shares movement under 2018 RS Plan.

| | 2018 RS Plan | |
|---|---|---|
| | Number of unvested restricted shares | Weighted average grant date fair value per share HK$ |
| Unvested as at 1 January 2022 | 10,472,456 | 37.49 |
| Vested | (1,549,244) | 26.30 |
| Forfeited | (1,808,578) | 36.80 |
| Unvested as at 31 December 2022 | **7,114,634** | **40.10** |
| Vested | **(4,571,536)** | **37.10** |
| Forfeited | **(181,965)** | **43.78** |
| Unvested as at 31 December 2023 | **2,361,133** | **45.63** |

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 Group measured the fair value of the unvested restricted shares as of the grant dates and is recognised as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees of the Group and directors of the Company are RMB27,800,000(2022: RMB59,219,000) for the year ended 31 December 2023.

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited on the grant date.

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

## 32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (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 30 March 2022 and 1 June 2022, the Company further granted a total number of 11,587 and 14,631 restricted shares at nil consideration to directors of the Group. The restricted shares shall be vested on a 33.33% per annum over a 3 years vesting period with the first vesting date as March and June 2023, subject to the performance condition to be fulfilled.

For the remaining restricted shares, the restricted shares shall initially be unvested. 75% of the restricted shares shall vest on the third anniversary of the vesting commencement while another 25% shall vest on the fourth anniversary of the vesting commencement, subject to the performance condition to be fulfilled.

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

| | 2020 RS | |
|---|---|---|
| | Number of unvested restricted shares | Weighted average grant date fair value per share HK$ |
| Unvested as at 1 January 2022 | **9,635,760** | 64.69 |
| Granted | **20,165,956** | 30.81 |
| Vested | **(26,664)** | 87.35 |
| Forfeited | **(4,991,904)** | 46.33 |
| Unvested as at 31 December 2022 | **24,783,148** | 40.79 |
| Granted | **20,319,772** | 36.44 |
| Vested | **(3,375,616)** | 45.60 |
| Forfeited | **(3,906,143)** | 37.38 |
| Unvested as at 31 December 2023 | **37,821,161** | 38.40 |

## 32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (iv) 2020 RS Plan (Continued)

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 Group measured the fair value of the unvested restricted shares as of the grant dates which is recognised the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognised in the consolidated statement of profit or loss and other comprehensive income for restricted shares granted to employees of the Group and directors of the Company are RMB319,417,000 for the year ended 31 December 2023 (2022: RMB201,765,000).

The fair value of the Company's restricted shares was determined using the closing price of each share as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited on the grant date.

## 33. CAPITAL COMMITMENT

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the consolidated financial statements: | | |
| Acquisition of property, plant and equipment | **1,141,174** | 1,433,425 |
| Acquisition of intangible asset | **15,930** | 30,824 |
| | **1,157,104** | 1,464,249 |

## 34. RETIREMENT BENEFIT PLANS

### The PRC

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. The total expense recognised in profit or loss of RMB284,370,000 (2022: RMB313,780,000) 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.

## 35A. 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.

## 35B. COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Short-term benefits | **43,547** | 39,919 |
| Share-based payment expenses | **123,868** | 129,142 |
| | **167,415** | 169,061 |

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

## 36. 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.

# 37. FINANCIAL INSTRUMENTS

## 37a. Categories of financial instruments

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Amortised cost | **12,344,863** | 10,027,279 |
| Measured at FVTPL | **625,788** | 430,840 |
| Equity instruments at FVTOCI | **218,301** | 202,570 |
| **Financial liabilities** | | |
| Amortised cost | **4,209,604** | 3,737,130 |
| Measured at FVTPL | **262,713** | 162,305 |

## 37b. Financial risk management objectives and policies

The Group's financial instruments include trade receivables, rental deposits, other receivables, other loans, other financial assets, equity instruments at FVTOCI, bank balances and cash, trade and bills payables, other payables, amounts due to partners of joint operations, borrowings and other financial liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risk

**Currency risk**

Certain bank balances and cash, other financial assets, 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. 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 | |
|---|---|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| USD | **4,783,539** | 8,497,860 | **(682,469)** | (512,285) |

# 37. FINANCIAL INSTRUMENTS (Continued)

## 37b. 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.

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Impact of USD on loss for the year | **205,054** | 399,279 |

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

**Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to other loans (note 21), lease liabilities (note 28), fixed-rate borrowings (note 27), investment notes (note 22), 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. The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

# 37. FINANCIAL INSTRUMENTS (Continued)

## 37b. 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 37c.

If the prices of the respective equity instruments had been 5% higher/lower, the other comprehensive income would increase/decrease by RMB10,915,000 (2022: RMB10,129,000) as a result of the changes in fair value of FVTOCI.

### Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, other receivables, other loans and rental deposits.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

| Category | Description | Trade receivables | Other financial assets |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past due amounts | Lifetime ECL – not credit-impaired | 12m ECL |
| Watch list | Debtor frequently repays after due dates but usually settle in full | Lifetime ECL – not credit-impaired | 12m ECL |
| Doubtful | There have been significant increase in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

# 37. FINANCIAL INSTRUMENTS (Continued)

## 37b. 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 59.9% (2022: 56.9%) and 66.4 % (2022: 68.1%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on collective assessment. Except for debtors with significant balances, 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 RMB883,057,000 as at 31 December 2023 (2022: RMB449,791,000) 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 RMB122,834,000 as at 31 December 2023 (2022: RMB125,478,000) 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.

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37b. 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 | **2023 Gross carrying amount RMB'000** | 2022 Gross carrying amount RMB'000 |
|---|---|---|---|---|---|---|
| **Financial asset at amortised cost** | | | | | | |
| Rental deposits | 21 | N/A | N/A (note a) | 12m ECL | **5,628** | 5,762 |
| Other loans | 21 | N/A | N/A (note a) | 12m ECL | **2,808** | 3,769 |
| Bank balances | 23 | A1 – A3 | N/A | 12m ECL | **10,051,987** | 9,162,654 |
| Other receivables | 21 | | N/A (note a) | 12m ECL | **410,907** | 279,656 |
| Trade receivables – contracts with customers | 20 | N/A | Low risk (note c) | Lifetime ECL (collective assessment) | **122,834** | 125,478 |
| | | | N/A (note b) | Lifetime ECL | **883,057** | 449,791 |
| | | | | | **1,005,891** | 575,269 |

# 37. FINANCIAL INSTRUMENTS (Continued)

## 37b. 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 2023 and 2022, the balances of rental deposits, other loans, other receivables are not past due and the credit risk 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 2023 and 2022, 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**

| | **2023 Trade receivables RMB'000** | 2022 Trade receivables RMB'000 |
|---|---|---|
| Current (not past due) | **122,834** | 125,478 |

### Liquidity risk

For management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, 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 2023, the Group has available unutilised specific loan facilities of RMB2,620,018,000 (2022: RMB2,455,567,000).

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.

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37b. 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 2023** | | | | | | | | |
| Trade and bills payables | - | 250,300 | 122,249 | - | - | - | 372,549 | 372,549 |
| Other payables | - | 315,123 | - | - | - | - | 315,123 | 315,123 |
| Borrowings – fixed rate | 3.75 | 128,622 | 1,173,922 | 422,215 | 1,693,167 | 408,596 | 3,826,522 | 3,521,932 |
| | | 694,045 | 1,296,171 | 422,215 | 1,693,167 | 408,596 | 4,514,194 | 4,209,604 |
| Lease liabilities | 4.87 | 8,242 | 22,144 | 19,725 | 35,925 | 28,120 | 114,156 | 98,597 |
| **At 31 December 2022** | | | | | | | | |
| Trade and bills payables | – | 267,942 | 57,680 | – | – | – | 325,622 | 325,622 |
| Other payables | – | 308,075 | – | – | – | – | 308,075 | 308,075 |
| Borrowings – fixed rate | 3.87 | 528,066 | 461,796 | 595,040 | 1,458,061 | 475,149 | 3,518,112 | 3,103,433 |
| | | 1,104,083 | 519,476 | 595,040 | 1,458,061 | 475,149 | 4,151,809 | 3,737,130 |
| Lease liabilities | 4.87 | 8,374 | 24,515 | 30,229 | 44,475 | 38,144 | 145,737 | 125,075 |

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. 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 2023 RMB'000 | 2022 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 | **218,301** | 202,570 | Level 1 | Active market quoted transaction price | N/A | N/A |
| (2) Other financial assets – investment in preference shares | **121,449** | 94,814 | Level 3 | Market comparison approach - reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple") | DLOM-discount of lack of marketability/P/R&D multiple/ Expected option life/Risk free rate/expected volatility | The higher the DLOM is, the lower the fair value is (note 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. |

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. 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 2023 RMB'000 | 2022 RMB'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| (3) Other financial assets – unlisted equity investment | **32,402** | 63,304 | Level 3 | Market comparison approach - reference to Price-to-cumulative Research & Development Expenses multiple ("P/R&D multiple") | DLOM-discount of lack of marketability/P/R&D multiple/Expected option life/Risk free rate/expected volatility | The higher the DLOM is, the lower the fair value is (note c). The higher the P/R&D is, the higher the fair value is (note d). The higher the expected volatility, the higher the fair value is. The lower the risk free rate, the higher the fair value is. |
| (4) Other financial assets – investment in preference shares | **60,766** | 60,580 | Level 3 (Note j) | Back-solve from recent transaction price market multiple | IPO/Redemption/Liquidation probability/Expected option life/Risk free rate/Expected volatility | The higher expected volatility, the higher the fair value is. The lower the risk free rate, the higher the fair value is. The higher the IPO probability, the higher the fair value is (note e). |

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. 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 2023 RMB'000 | 2022 RMB'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| (5) Other financial assets – investment in preference shares | **59,378** | 54,907 | Level 3 | Back-solve from recent transaction price market multiple | IPO/Redemption/ Liquidation probability/ Expected option life/Risk free rate/ Expected volatility | The higher 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 f). |
| (6) Other financial assets – investment in preference shares | **35,932** | 34,823 | Level 3 (Note j) | Back-solve from recent transaction price market multiple | IPO/Redemption/ Liquidation probability/ Expected option life/Risk free rate/ Expected volatility | The higher 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 g). |

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. 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 2023 RMB'000 | 2022 RMB'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| (7) Other financial assets – unlisted equity investments | **32,361** | 30,000 | Level 3 (Note j) | Back-solve from recent transaction price market multiple | IPO/Redemption/ Liquidation probability/ Expected option life/Risk free rate/ Expected volatility | The higher 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, fair value is (note h). |
| (8) Other financial assets – investment in preference shares | **22,039** | 20,894 | Level 3 (Note j) | Back-solve from recent transaction price market multiple | IPO/Redemption/ Liquidation probability/ Expected option life/Risk free rate/ Expected volatility | The higher 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 i). |

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. 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 2023 RMB'000 | 2022 RMB'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| (9) Other financial assets – warrant of listed company | **–** | 3,213 | 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. |
| (10) Other financial assets – investment in preference shares | **37,452** | 20,894 | Level 3 (Note j) | Back-solve from recent transaction price market multiple | IPO/Redemption/ Liquidation probability/ Expected option life/Risk free rate/ Expected volatility | The higher 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. |

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. 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 2023 RMB'000 | 2022 RMB'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| (11) Other financial assets – investment in preference shares and unlisted equity investments | **174,009** | 103,128 | Level 2 | Recent transaction price | N/A | N/A |
| (12) Other financial assets – structured deposit | **50,000** | – | 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 |

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. Fair value measurements of financial instruments (Continued)

#### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Note a: A slight increase in the DLOM used in isolation would result in a slight decrease in the fair value measurement of unlisted equity investment. If the DLOM was 5% higher/lower while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease/increase by RMB7,785,000 (2022:RMB5,573,000) as at 31 December 2023.

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 RMB6,072,000 (2022: RMB3,910,000)as at 31 December 2023.

Note c: A slight increase in the DLOM used in isolation would result in a slight decrease in the fair value measurement of unlisted equity investment. If the DLOM was 5% higher/lower while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease/increase by RMB2,160,000 (2022:RMB4,405,000) as at 31 December 2023.

Note d: A slight increase in the P/R&D multiple used in isolation would result in a slight increase in the fair value measurement of unlisted equity investment and vice versa. If the P/R&D multiple was 5% higher/lower while all other variables remain constant, the carrying amount of the unlisted equity investment would increase/decrease by RMB1,620,000 (2022: RMB3,083,000)as at 31 December 2023.

Note e: A slight increase in the DLOM used in isolation would result in a slight decrease in the fair value measurement of unlisted equity investment. If the DLOM was 5% higher/lower while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease/increase by RMB4,438,000 as at 31 December 2023.

Note f: A slight increase in the DLOM used in isolation would result in a slight decrease in the fair value measurement of unlisted equity investment. If the DLOM was 5% higher/lower while holding all other variables constant, the carrying amount of the unlisted equity investment would decrease/increase by RMB4,067,000 (2022:RMB3,385,000) as at 31 December 2023.

Note g: 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 RMB1,418,000 as at 31 December 2023.

Note h: 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 by RMB882,000 as at 31 December 2023.

Note i: 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 RMB1,057,000 as at 31 December 2023.

Note j: The fair value hierarchy was transferred from Level 2 to Level 3 because no new equity transaction occurred for the year ended 31 December 2023.

## 37. FINANCIAL INSTRUMENTS (Continued)

### 37c. Fair value measurements of financial instruments (Continued)

#### (ii) Reconciliation of Level 3 fair value measurement

The following table presents the reconciliation of Level 3 measurements of financial assets at FVTPL during the years.

| | RMB'000 |
|---|---|
| At 1 January 2022 | 149,114 |
| Transferred from level 2 | 64,694 |
| Fair value changes | 2,430 |
| At 31 December 2022 | 216,238 |
| Transferred from level 2 | 146,297 |
| Fair value changes | 1,792 |
| At 31 December 2023 | 364,327 |

#### (iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | **Interest payables** RMB'000 (note 25) | **Lease liabilities** RMB'000 (note 28) | **Borrowings** RMB'000 (note 27) | **Total** RMB'000 |
|---|---|---|---|---|
| At 1 January 2022 | 2,944 | 108,665 | 2,388,261 | 2,499,870 |
| Financing cash flows (note) | (104,884) | (27,738) | 715,172 | 582,550 |
| Interest expenses | 106,303 | 10,891 | – | 117,194 |
| New leases entered | – | 33,257 | – | 33,257 |
| At 31 December 2022 and 1 January 2023 | **4,363** | **125,075** | **3,103,433** | **3,232,871** |
| Financing cash flows (note) | **(127,613)** | **(31,799)** | **418,499** | **259,087** |
| Interest expenses | **126,214** | **5,321** | **–** | **131,535** |
| At 31 December 2023 | **2,964** | **98,597** | **3,521,932** | **3,623,493** |

Note: The cash flows from interest payables, lease liabilities, and borrowings make up the net amount of proceeds and repayments in consolidated statement of cash flows.

## 39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Investment in a subsidiary | **5,434,151** | 4,497,976 |
| Other financial assets | **273,996** | 273,605 |
| Equity instruments at FVTOCI | **218,301** | 202,570 |
| Prepayments and other receivables | **6,171** | 10,367 |
| Amounts due from subsidiaries | **11,129,721** | 9,346,386 |
| | **17,062,340** | 14,330,904 |
| **Current assets** | | |
| Prepayments and other receivables | **398,179** | 102,412 |
| Amounts due from subsidiaries | **1,818,687** | 840,915 |
| Bank balances | **5,512,009** | 6,505,461 |
| Other financial assets | **511,163** | 3,213 |
| | **8,240,038** | 7,452,001 |
| **Current liabilities** | | |
| Other payables and accrued expenses | **12,267** | 40,920 |
| Amounts due to subsidiaries | **539,730** | 314,039 |
| | **551,997** | 354,959 |
| **Net current assets** | **7,688,041** | 7,097,042 |
| **Net assets** | **24,750,381** | 21,427,946 |
| **Capital and reserves** | | |
| Share capital | **112** | 105 |
| Reserves | **24,750,269** | 21,427,841 |
| **Total equity** | **24,750,381** | 21,427,946 |

## 39. 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 2022 | 22,493,658 | (120,009) | 828,689 | (5,858,920) | 17,343,418 |
| (Loss) profit and total comprehensive (expense) income for the year | – | (876) | – | 1,485,159 | 1,484,283 |
| Issuance of ordinary shares (note 31 a) | 2,088,999 | – | – | – | 2,088,999 |
| Recognition of equity-settled Share-based payment | – | – | 469,085 | – | 469,085 |
| Issurance of restricted shares | 37,877 | – | (37,877) | – | – |
| Exercise of share options | 85,104 | – | (43,048) | – | 42,056 |
| At 31 December 2022 | **24,705,638** | **(120,885)** | **1,216,849** | **(4,373,761)** | **21,427,841** |
| At 1 January 2023 | **24,705,638** | **(120,885)** | **1,216,849** | **(4,373,761)** | **21,427,841** |
| Profit and total comprehensive income for the year | **–** | **15,731** | **–** | **495,230** | **510,961** |
| Issuance of ordinary shares (note 31 d) | **2,161,480** | **–** | **–** | **–** | **2,161,480** |
| Recognition of equity-settled Share-based payment | **–** | **–** | **574,197** | **–** | **574,197** |
| Issurance of restricted shares | **323,601** | **–** | **(323,602)** | **–** | **(1)** |
| Exercise of share options | **133,777** | **–** | **(57,986)** | **–** | **75,791** |
| At 31 December 2023 | **27,324,496** | **(105,154)** | **1,409,458** | **(3,878,531)** | **24,750,269** |

## 40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group has no new lease agreements. (At the dates of lease commencement, the Group recognised an aggregate amounts of RMB33.3 million of right-of-use assets and RMB33.3 million lease liabilities during the year ended 31 December 2022).

## 41. EVENTS AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere of the consolidated financial statements, no important events affecting the Company occurred since the end of the reporting period and up to the date of this annual report.

# Five Year Financial Summary

## Condensed Consolidated Income Statements of Profit or Loss

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2019 (RMB'000) | 2020 (RMB'000) | 2021 (RMB'000) (Restated) | 2022 (RMB'000) | **2023 (RMB'000)** |
| Revenue from contracts with customers | 1,047,525 | 3,843,819 | 4,269,729 | 4,556,380 | **6,206,070** |
| Cost of Sales | (124,878) | (387,761) | (505,337) | (930,990) | **(1,136,266)** |
| Other income | 144,081 | 246,787 | 196,881 | 279,735 | **552,350** |
| Other gains and losses | 15,075 | (479,965) | (72,784) | 774,340 | **81,164** |
| Research and development expenses | (1,294,724) | (1,851,453) | (2,322,513) | (2,871,220) | **(2,227,556)** |
| Administrative and other expenses | (255,299) | (436,872) | (806,010) | (835,488) | **(750,278)** |
| Selling and marketing expenses | (692,515) | (1,340,861) | (2,620,142) | (2,590,765) | **(3,100,693)** |
| Royalties and other related payments | (499,725) | (384,057) | (719,077) | (450,763) | **(670,578)** |
| Finance costs | (59,490) | (68,350) | (62,464) | (101,698) | **(98,624)** |
| Income tax credit (expense) | – | (139,708) | (87,038) | (8,801) | **116,498** |
| **Loss for the year** | (1,719,950) | (998,421) | (2,728,755) | (2,179,270) | **(1,027,913)** |

# Five Year Financial Summary

## Condensed Consolidated Statements of Financial Position

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2019 (RMB'000) | 2020 (RMB'000) | 2021 (RMB'000) | 2022 (RMB'000) | **2023 (RMB'000)** |
| **Current assets** | 5,455,423 | 9,466,681 | 11,550,849 | 11,506,708 | **13,427,985** |
| Inventories | 358,597 | 705,658 | 1,347,240 | 1,428,882 | **968,088** |
| Trade receivables | 247,854 | 475,378 | 968,405 | 575,269 | **1,005,891** |
| Prepayments and other receivables | 151,626 | 164,515 | 213,261 | 336,521 | **484,377** |
| Contract assets | 2,185 | – | – | – | **–** |
| Other financial assets | 462,519 | 357,297 | 644,848 | 3,213 | **917,534** |
| Bank balances and cash | 4,232,642 | 7,763,833 | 8,377,095 | 9,162,823 | **10,052,095** |
| **Current liabilities** | 1,043,556 | 1,485,851 | 3,050,047 | 3,499,198 | **4,476,816** |
| Trade and bills payables | 84,275 | 120,620 | 195,050 | 325,622 | **372,549** |
| Other payables and accrued expenses | 885,004 | 973,634 | 2,051,624 | 1,820,977 | **2,467,771** |
| Contract liabilities | 41,727 | 120,440 | 355,506 | 434,911 | **416,166** |
| Borrowings | 17,000 | 255,000 | 365,000 | 888,000 | **1,195,155** |
| Lease liabilities | 15,550 | 16,157 | 22,273 | 26,392 | **25,175** |
| Tax Payables | – | – | 60,594 | 3,296 | **–** |
| **Net current assets** | 4,411,867 | 7,980,830 | 8,500,802 | 8,007,510 | **8,951,169** |
| **Non-current assets** | 1,775,106 | 2,368,315 | 4,692,864 | 6,082,137 | **7,199,375** |
| **Non-current liabilities** | 1,430,842 | 1,569,375 | 2,863,269 | 3,359,698 | **3,622,963** |
| **Net assets (liabilities)** | 4,756,131 | 8,779,770 | 10,330,397 | 10,729,949 | **12,527,581** |
| **Total equity (deficiency of total equity)** | 4,756,131 | 8,779,770 | 10,330,397 | 10,729,949 | **12,527,581** |

# Definitions

| | |
|---|---|
| **"1L"** | first-line |
| **"2L"** | second-line |
| **"3L"** | third-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 |
| **"AACR"** | American Association for Cancer Research |
| **"ADC"** | antibody-drug conjugate |
| **"AGM" or "Annual General Meeting"** | the annual general meeting of the Company to be held on June 21, 2024 |
| **"AGT"** | angiotensinogen |
| **"Articles of Association"** | the fourteenth amended and restated memorandum and articles of association of the Company, adopted on June 21, 2023, as amended from time to time |
| **"ASCO"** | American Society of Clinical Oncology |
| **"ASH"** | American Society of Hematology |
| **"associate(s)"** | has the meaning ascribed thereto under the Listing Rules |
| **"Audit Committee"** | the audit committee of the Company |
| **"BCMA"** | B cell maturation antigen |
| **"Board" or "Board of Directors"** | the board of directors of our Company |
| **"CAR"** | chimeric antigen receptor |
| **"CC"** | cervical cancer |
| **"CCA"** | cholangiocarcinoma |
| **"CD47"** | cluster differentiation 47 |

# Definitions

| | |
|---|---|
| **"Corporate Governance Code" or "CG code"** | the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) of the Listing Rules, as amended from time to time |
| **"China" or the "PRC"** | the People's Republic of China |
| **"CMC"** | chemistry, manufacturing and controls |
| **"CML"** | chronic myeloid leukaemia |
| **"CML-AP"** | accelerated-phase chronic myeloid leukaemia |
| **"CML-CP"** | chronic-phase chronic myeloid leukaemia |
| **"Company", "our Company", "the Company" or "Innovent"** | Innovent Biologics, Inc. 信達生物製藥, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 28 April 2011 |
| **"Companies Ordinance"** | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| **"connected person(s)"** | has the meaning ascribed to it under the Listing Rules |
| **"connected transactions"** | has the meaning ascribed to it under the Listing Rules |
| **"Controlling Shareholder(s)"** | has the meaning ascribed thereto under the Listing Rules |
| **"Core Product"** | has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Product refers to TYVYT® (sintilimab injection), BYVASDA® (bevacizumab biosimilar), SULINNO® (adalimumab biosimilar) and HALPRYZA® (rituximab biosimilar) |
| **"CRC"** | colorectal cancer |
| **"CSCO"** | Chinese Society of Clinical Oncology |
| **"CTLA-4"** | cytotoxic T lymphocyte antigen 4 |
| **"CVM"** | cardiovascular and metabolism |
| **"Director(s)"** | the director(s) of our Company |
| **"Dr. Yu"** | Dr. De-Chao Michael Yu, our Chief Executive Officer, Chairman and executive Director |

# Definitions

| | |
|---|---|
| **"EGFR"** | epidermal growth factor receptor |
| **"Eli Lilly" or "Lilly"** | Eli Lilly and Company, a U.S. company, organized and existing under the laws of the State of Indiana on 17 January 1901, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285 |
| **"EMC"** | endometrial cancer |
| **"Employee Participants"** | has the meaning ascribed to it in the Listing Rules |
| **"ESCC"** | esophageal squamous cell carcinoma |
| **"ESG"** | environmental, social and governance |
| **"FGFR"** | fibroblast growth factor receptor |
| **"FVTOCI"** | fair value through other comprehensive income |
| **"FVTPL"** | fair value through profit or loss |
| **"GC"** | gastric or gastroesophageal adenocarcinoma |
| **"GCGR"** | glucagon receptor |
| **"GLP-1R"** | glucagon-like peptide-1 receptor |
| **"Group", "our Group", "the Group", "we", "us" or "our"** | the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| **"HCC"** | hepatocellular carcinomas |
| **"HeFH"** | heterozygous familial hypercholesterolemia |
| **"HER-2"** | human epidermal growth factor receptor 2 |
| **"Hong Kong" or "HK"** | the Hong Kong Special Administrative Region of the PRC |
| **"Hong Kong dollars" or "HK dollars" or "HK$"** | Hong Kong dollars, the lawful currency of Hong Kong |
| **"IASO Bio"** | IASO Biotherapeutics |
| **"IFRS"** | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |

# Definitions

| | |
|---|---|
| **"IGF-1R"** | insulin-like growth factor-1 receptor |
| **"Incyte"** | Incyte Biosciences International Sàrl, a subsidiary of Incyte Corporation (the shares of which are listed on the Nasdaq Global Select Market (Ticker Symbol: INCY)) |
| **"IL-23p19"** | interleukin 23 p19 subunit |
| **"ImmVirX"** | ImmVirX Pty Limited |
| **"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 |
| **"IO"** | immuno-therapy |
| **"IPO"** | initial public offering |
| **"JAMA"** | *The Journal of American Medical Association* |
| **"KRAS G12C"** | Kirsten rat sarcoma viral oncogene homolog G12C |
| **"Latest Practicable Date"** | 19 April 2024, being the latest practicable date to ascertain certain information set out in this annual report prior to its bulk printing |
| **"LDL-C"** | low-density lipoprotein cholesterol |
| **"LG Chem"** | LG Chem Life Sciences |
| **"Listing"** | the listing of the Shares on the Main Board of the Stock Exchange |
| **"Listing Date"** | 31 October 2018, the date on which the Shares are listed and on which dealings in the Shares are fist permitted to take place on the Stock Exchange |
| **"Listing Rules"** | the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| **"LBITDA"** | loss before interest, tax, depreciation and amortization |
| **"Main Board"** | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange |

# Definitions

| | |
|---|---|
| **"mCRC"** | metastatic colorectal cancer |
| **"MDS"** | myelodysplastic syndrome |
| **"Model Code"** | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly Appendix 10) of the Listing Rules |
| **"MRCT"** | multi-regional clinical trial |
| **"MSCI"** | Morgan Stanley Capital International |
| **"MSI-H/dMMR"** | microsatellite instability-high or mismatch repair-deficient |
| **"MSLN"** | mesothelin |
| **"MTC"** | medullary thyroid cancer |
| **"nAMD"** | neovascular age-related macular degeneration |
| **"NDA"** | new drug application |
| **"NMPA"** | China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局) |
| **"Nomination Committee"** | the nomination committee of the Company |
| **"non-FH"** | non-familial hypercholesterolemia |
| **"NRDL"** | the National Reimbursement Drug List |
| **"NSCLC"** | non-small cell lung cancer |
| **"NYSE"** | the New York Stock Exchange |
| **"OC"** | epithelial ovarian, fallopian tube, and primary peritoneal cancer |
| **"PCSK9"** | proprotein convertase subtilisin/kexin type 9 enzyme |
| **"PD-1"** | programmed cell death protein 1 |
| **"PD-L1"** | PD-Lgand 1 |
| **"PDAC"** | pancreatic ductal adenocarcinoma |

# Definitions

| | |
|---|---|
| **"PoC"** | Proof-of-Concept |
| **"Post-IPO ESOP"** | the post-IPO share option scheme adopted by the Company on 12 June 2018 |
| **"Pre-IPO Plan"** | the pre-IPO share incentive plan adopted by the Company on 10 May 2012 as amended from time to time |
| **"R&D"** | research and development |
| **"RemeGen"** | RemeGen Co. Ltd. |
| **"Remuneration Committee"** | the remuneration committee of the Company |
| **"RET"** | rearranged drug transfection |
| **"Restricted Shares"** | restricted share(s), being a contingent right to receive Share(s) awarded under the RS Plan |
| **"RMB" or "Renminbi"** | Renminbi, the lawful currency of PRC |
| **"ROS1"** | ROS proto-oncogene 1 |
| **"Reporting Period"** | the year ended 31 December 2023 |
| **"RR MM"** | relapsed refractory multiple myelonia |
| **"Sanegene Bio"** | SanegeneBio USA Inc. |
| **"Service Provider"** | has the meaning ascribed to it in the Listing Rules |
| **"SFO"** | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| **"SGLT2"** | sodium-glucose contransporter 2 |
| **"Share(s)"** | ordinary share(s) in the share capital of our Company, currently with a par value of US$0.00001 each |
| **"Shareholder(s)"** | holder(s) of the Share(s) |
| **"siRNA"** | small interfering ribonucleic acid |
| **"sNDA"** | supplemental new drug application |

# Definitions

| | |
|---|---|
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"subsidiary" or "subsidiaries"** | has the meaning ascribed to it thereto in section 15 of the Companies Ordinance |
| **"substantial shareholder"** | has the meaning ascribed to it in the Listing Rules |
| **"Synaffix"** | Synaffix B.V. |
| **"T2D"** | type 2 diabetes |
| **"TC"** | thyroid cancer |
| **"TED"** | thyroid eye disease |
| **"TKI"** | tyrosine kinase inhibitor |
| **"United States" or "U.S."** | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| **"US dollars", "U.S. dollars", "US$" or "USD"** | United States dollars, the lawful currency of the United States |
| **"U.S. FDA" or "FDA"** | The U.S. Food and Drug Administration |
| **"UNION"** | UNION Therapeutics A/S |
| **"VEGF"** | vascular endothelium growth factor |
| **"XOI"** | Xanthine oxidase inhibitor |
| **"Xuanzhu Biopha"** | Xuanzhu Biopharmaceutical Co., Ltd. |
| **"%"** | per cent |

Innovent
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