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**INNOCARE**

诺诚健华

**InnoCare Pharma Limited**

**諾誠健華醫藥有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 9969)**

## **CLARIFICATION ANNOUNCEMENT**

References are made to (i) the interim results announcement of InnoCare Pharma Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated August 21, 2020, for the six months ended June 30, 2020 (the “**2020 Interim Results Announcement**”); (ii) the interim report of the Company dated September 11, 2020, for the six months ended June 30, 2020 (the “**2020 Interim Report**”); (iii) the annual results announcement of the Company dated March 26, 2021, for the year ended December 31, 2020 (the “**2020 Annual Results Announcement**”); and (iv) the annual report of the Company dated April 20, 2021, for the year ended December 31, 2020 (the “**2020 Annual Report**”, together with the 2020 Interim Results Announcement, the 2020 Interim Report, and the 2020 Annual Results Announcement, the “**2020 Relevant Financial Disclosures**”). Unless otherwise stated herein, capitalised terms used in this announcement shall have the same meanings as those defined in the 2020 Annual Report.

## **REASONS FOR THE AMENDMENTS OF THE 2020 RELEVANT FINANCIAL DISCLOSURES**

The convertible redeemable preferred shares were automatically converted into ordinary shares on March 23, 2020. As a result, the ending balance of the convertible redeemable preferred shares as of March 23, 2020 were reclassified into share capital and share premium of the Company. The Company’s reporting currency is different from its functional currency, and the differences between the balance of convertible redeemable preferred shares as of December 31, 2019 and March 23, 2020 should have included both the fair value changes of convertible redeemable preferred shares and exchange differences on translation of foreign operations during the period in between. Due to a human error, the total differences, including the exchange difference on translation of foreign operations of RMB72,398,000, were incorrectly recorded in fair value changes of convertible redeemable preferred shares, resulting in an overstatement of fair value changes of convertible redeemable preferred shares of RMB72,398,000 and understatement of the exchange differences on translation of foreign operations by the same amount.

Accordingly, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended June 30, 2020 and the year ended December 31, 2020 and certain explanatory notes thereof have been restated to rectify such and reflect the corrections thereto. There were reclassifications between accumulated losses and foreign exchange reserve inside reserves with no impact to the consolidated statements of financial position as of June 30, 2020 and December 31, 2020, as they formed an integral part of the reserves in the consolidated statements of financial position of the Group.

## I. 2020 Interim Results Announcement and 2020 Interim Report

Impact to the interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the six months ended June 30, 2020 is underlined as below:

	<b>The Group as previously reported RMB'000</b>	<b>Prior period adjustment RMB'000</b>	<b>The Group as restated RMB'000</b>
Fair value changes of convertible redeemable preferred shares	(141,579)	<u>72,398</u>	<u>(69,181)</u>
Exchange differences on translation of foreign operations	13,977	<u>(72,398)</u>	<u>(58,421)</u>
Loss for the period	(409,842)	<u>72,398</u>	<u>(337,444)</u>
Loss for the period attributable to owners of the parent	(407,183)	<u>72,398</u>	<u>(334,785)</u>
Loss per share attributable to ordinary equity holders of the parent – Basic and diluted	(RMB0.53)	<u>RMB0.10</u>	<u>(RMB0.43)</u>

Impact to the interim condensed consolidated statement of cash flows for the six months ended June 30, 2020 is as below:

	<b>The Group as previously reported RMB'000</b>	<b>Prior period adjustment RMB'000</b>	<b>The Group as restated RMB'000</b>
Loss before tax	(409,842)	<u>72,398</u>	<u>(337,444)</u>
Fair value changes of convertible redeemable preferred shares	(141,579)	<u>72,398</u>	<u>(69,181)</u>

## II. 2020 Annual Results Announcement and 2020 Annual Report

Impact to the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended December 31, 2020 is underlined as below:

	<b>The Group as previously reported <i>RMB'000</i></b>	<b>Prior period adjustment <i>RMB'000</i></b>	<b>The Group as restated <i>RMB'000</i></b>
Fair value changes of convertible redeemable preferred shares	(141,579)	<u>72,398</u>	<u>(69,181)</u>
Exchange differences on translation of foreign operations	(251,702)	<u>(72,398)</u>	<u>(324,100)</u>
Loss for the year	(464,263)	<u>72,398</u>	<u>(391,865)</u>
Loss for the year attributable to owners of the parent	(463,793)	<u>72,398</u>	<u>(391,395)</u>
Loss per share attributable to ordinary equity holders of the parent – Basic and diluted	(RMB0.48)	<u>RMB0.08</u>	<u>(RMB0.40)</u>

Impact to the consolidated statement of cash flows for the year ended December 31, 2020 is underlined as below:

	<b>The Group as previously reported <i>RMB'000</i></b>	<b>Prior period adjustment <i>RMB'000</i></b>	<b>The Group as restated <i>RMB'000</i></b>
Loss before tax	(464,263)	<u>72,398</u>	<u>(391,865)</u>
Fair value changes of convertible redeemable preferred shares	(141,579)	<u>72,398</u>	<u>(69,181)</u>

Accordingly, the Company would like to clarify and amend the following underlined items in the 2020 Relevant Financial Disclosures with the corrected items being underlined in the appendix.

The Directors believe the abovementioned human error is one-off in nature, and not systematic in all regards. Save as disclosed above, all other information and contents in the 2020 Relevant Financial Disclosures remain unchanged.

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

Hong Kong, August 27, 2021

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

## Appendix:

### **Selling and Distribution Expenses**

Selling and Distribution expenses increased from RMB0.7 million for the six months ended June 30, 2019 to RMB7.6 million for the six months ended June 30, 2020 as we are building up commercial team and increased marketing activities.

### **Loss for The Period**

As a result of the above factors, and taking into account our fair value changes of convertible redeemable preferred shares from a loss of RMB237.0 million for the six months ended June 30, 2019 to a loss of RMB69.2 million for the six months ended June 30, 2020 primarily due to the increase in our company's valuation, the loss for the period increased from RMB321.9 million for the six months ended June 30, 2019 to RMB337.4 million for the six months ended June 30, 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

InnoCare is a clinical stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancers and autoimmune diseases – two large therapeutic areas with significant market opportunity and synergies. Led by a well-known management team of seasoned industry executives, we have built a biopharmaceutical platform with strong in-house R&D capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging on our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates target at both evidence-based and novel biological pathways. Our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. Our strategy is to rapidly advance our clinical programs and seek approval to commercialize our product candidates in China. At the same time, we are expanding clinical trials globally including the United States for promising indications to maximize the commercial value of our assets.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended June 30, 2020*

	<i>Notes</i>	<b>2020</b> <b>(Unaudited)</b> <i>(RMB in thousands)</i>	2019 (Unaudited)
<b>REVENUE</b>	4	<b>748</b>	593
Cost of sales		<u>—</u>	<u>—</u>
<b>Gross profit</b>		<b>748</b>	593
Other income and gains	4	<b>50,574</b>	51,207
Selling and distribution expenses		<b>(7,629)</b>	(669)
Research and development costs		<b>(231,157)</b>	(94,831)
Administrative expenses		<b>(47,483)</b>	(16,084)
Other expenses		<b>(32,831)</b>	(23,714)
Fair value changes of convertible redeemable preferred shares	12	<b>(69,181)</b>	(236,962)
Finance costs		<u><b>(485)</b></u>	<u>(1,400)</u>
<b>LOSS BEFORE TAX</b>		<b>(337,444)</b>	(321,860)
Income tax expense	6	<u>—</u>	<u>—</u>
<b>LOSS FOR THE PERIOD</b>		<b><u>(337,444)</u></b>	<b><u>(321,860)</u></b>
<b>Attributable to:</b>			
Owners of the parent		<b><u>(334,785)</u></b>	(321,306)
Non-controlling interests		<b><u>(2,659)</u></b>	<u>(554)</u>
		<b><u>(337,444)</u></b>	<b><u>(321,860)</u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	8	<b><u>(RMB0.43)</u></b>	<b><u>(RMB1.65)</u></b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended June 30, 2020*

	<b>2020</b> <b>(Unaudited)</b> <i>(RMB in thousands)</i>	2019 (Unaudited)
<b>LOSS FOR THE PERIOD</b>	<u><u>(337,444)</u></u>	<u><u>(321,860)</u></u>
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Other comprehensive loss that may <u>not</u> be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translation of foreign operations	<u>(58,421)</u>	<u>(3,164)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<u><u>(395,865)</u></u>	<u><u>(325,024)</u></u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u><u>(395,865)</u></u>	<u><u>(325,024)</u></u>
<b>Attributable to:</b>		
Owners of the parent	<u>(393,206)</u>	<u>(324,470)</u>
Non-controlling interests	<u>(2,659)</u>	<u>(554)</u>
	<u><u>(395,865)</u></u>	<u><u>(325,024)</u></u>

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue is analysed as follows:

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers research and development services	748	593
Timing of revenue recognition from contracts with customers – At a point in time	<u>748</u>	<u>593</u>

The performance obligation is satisfied upon delivery of the research and development services report and payment is generally due within 90 days from delivery.

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Other income and gains</b>		
Government grants ( <i>note</i> )	5,661	16,172
Bank interest income	40,091	26,857
Investment income from investments in wealth management products	1,199	8,178
Foreign exchange gains, net	3,454	–
Others	169	–
	<u>50,574</u>	<u>51,207</u>

*Note:* Government grants have been received from the PRC local government authorities to mainly support the subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

#### 5. LOSS FOR THE PERIOD

The Group's loss is arrived at after charging:

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	834	706
Depreciation of right-of-use assets	4,272	2,891
Amortisation of other intangible assets	118	52
Fair value changes of a convertible loan	31,831	23,559
Fair value changes of convertible redeemable preferred shares	<u>69,181</u>	236,962
Share-based payment expenses	159,977	32,615

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share attributable to ordinary equity holders of the parent is based on the following data:

	<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u><u>(334,785)</u></u>	<u><u>(321,306)</u></u>
	<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
	<b>of shares</b>	<b>of shares</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u><u>774,854</u></u>	<u><u>194,462</u></u>

The computation of basic and diluted loss per share for the six months ended June 30, 2020 and 2019 excluded the unvested share options and restricted stock units of the Company.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the six months ended June 30, 2020 and 2019 in respect of a dilution as the impact of the conversion of the convertible redeemable preferred shares, the exercise of share options and restricted stock units, or the convertible loan had an anti-dilutive effect on the basic loss per share amounts presented. Accordingly, the dilutive loss per share amounts for the six months ended June 30, 2020 and 2019 are the same as the basic loss per share amounts.

## 12. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares. For details of the background of preferred shares, please refer to note 29 to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2019.

All preferred shares were automatically converted into 532,244,771 ordinary shares upon the successful IPO of the Company on March 23, 2020 (the "Conversion Date").

As of Conversion Date, the par value per preferred share is US\$0.000002 and the difference between the fair value of preferred shares and the par value is accounted for under the share premium.

The movements of the convertible redeemable preferred shares are set out below:

	<b>Series A Preferred Shares RMB'000</b>	<b>Series B Preferred Shares RMB'000</b>	<b>Series C Preferred Shares RMB'000</b>	<b>Series D Preferred Shares RMB'000</b>	<b>Total RMB'000</b>
At January 1, 2019	168,570	388,619	548,871	828,690	1,934,750
Issue	–	–	–	412,672	412,672
Changes in fair value	194,570	442,178	521,062	656,208	1,814,018
Currency translation differences	4,364	10,009	13,291	24,668	52,332
At December 31, 2019 (Audited)	367,504	840,806	1,083,224	1,922,238	4,213,772
Changes in fair value	<u>79,024</u>	<u>172,748</u>	<u>87,586</u>	<u>(270,177)</u>	<u>69,181</u>
Currency translation differences	<u>7,628</u>	<u>17,305</u>	<u>19,867</u>	<u>27,598</u>	<u>72,398</u>
Convert into ordinary shares	(454,156)	(1,030,859)	(1,190,677)	(1,679,659)	(4,355,351)
At June 30, 2020 (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

On the listing date, all the preferred shares were automatically converted into ordinary shares, taken the IPO issue price of the ordinary shares of the Company as the fair value, namely HK\$8.95 (equivalent to RMB8.18).

## 13. CONVERTIBLE LOAN

	<b>June 30, 2020 RMB'000 (Unaudited)</b>	<b>December 31, 2019 RMB'000 (Audited)</b>
Non-current portion Convertible loan	<u>1,149,007</u>	<u>1,117,176</u>
		<b>Convertible loan RMB'000</b>
At January 1, 2019		957,269
Changes in fair value		<u>159,907</u>
At December 31, 2019 (Audited)		1,117,176
Changes in fair value		<u>31,831</u>
At June 30, 2020 (Unaudited)		<u>1,149,007</u>

# FINANCIAL HIGHLIGHTS

<b>INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>As of</b>	As of
	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Cash and bank balances	<b>4,409,823</b>	2,291,773
Total assets	<b>4,804,561</b>	2,615,693
Total liabilities	<b>1,377,666</b>	5,563,439
Total equity	<b>3,426,895</b>	(2,947,746)

<b>INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>	<b>For the six months</b>	
	<b>ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
REVENUE	<b>748</b>	593
Other income and gains	<b>50,574</b>	51,207
Selling and distribution expenses	<b>(7,629)</b>	(669)
Research and development costs	<b>(231,157)</b>	(94,831)
Administrative expenses	<b>(47,483)</b>	(16,084)
Other expenses	<b>(32,831)</b>	(23,714)
Finance costs	<b>(485)</b>	(1,400)
Fair value changes of convertible redeemable preferred shares	<b>(69,181)</b>	(236,962)
LOSS FOR THE PERIOD	<b>(337,444)</b>	(321,860)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
– Basic and diluted	<b>(RMB0.43)</b>	(RMB1.65)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>748</b>	593
Cost of sales		–	–
<b>Gross profit</b>		<b>748</b>	593
Other income and gains	4	<b>50,574</b>	51,207
Selling and distribution expenses		<b>(7,629)</b>	(669)
Research and development costs		<b>(231,157)</b>	(94,831)
Administrative expenses		<b>(47,483)</b>	(16,084)
Other expenses		<b>(32,831)</b>	(23,714)
Fair value changes of convertible redeemable preferred shares	14	<b>(69,181)</b>	(236,962)
Finance costs		<b>(485)</b>	(1,400)
<b>LOSS BEFORE TAX</b>		<b>(337,444)</b>	(321,860)
Income tax expense	6	–	–
<b>LOSS FOR THE PERIOD</b>		<b>(337,444)</b>	(321,860)
<b>Attributable to:</b>			
Owners of the parent		<b>(334,785)</b>	(321,306)
Non-controlling interests		<b>(2,659)</b>	(554)
		<b>(337,444)</b>	(321,860)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY</b>			
<b>HOLDERS OF THE PARENT</b>			
Basic and diluted	8	<b>(RMB0.43)</b>	(RMB1.65)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>LOSS FOR THE PERIOD</b>	<b>(337,444)</b>	(321,860)
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Other comprehensive loss that may <u>not</u> be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translation of foreign operations	<b>(58,421)</b>	(3,164)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(395,865)</b>	(325,024)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(395,865)</b>	(325,024)
<b>Attributable to:</b>		
Owners of the parent	<b>(393,206)</b>	(324,470)
Non-controlling interests	<b>(2,659)</b>	(554)
	<b>(395,865)</b>	(325,024)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

	Attributable to owners of the parent									
	Share capital	Share premium	Other reserve	Share-	Asset	Foreign	Accumulated losses	Total	Non-controlling interests	Total equity
				based payments	revaluation	exchange				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 16)	(note 16)									
<b>As at January 1, 2020 (Audited)</b>	4	9,341	(19,292)	143,873	(6,036)	(52,205)	(3,080,395)	(3,004,710)	56,964	(2,947,746)
Loss for the period	-	-	-	-	-	-	(334,785)	(334,785)	(2,659)	(337,444)
Exchange differences on translation of foreign operations	-	-	-	-	-	(58,421)	-	(58,421)	-	(58,421)
Total comprehensive loss for the period	-	-	-	-	-	(58,421)	(334,785)	(393,206)	(2,659)	(395,865)
Shares issued upon initial public offering ("IPO")	4	2,048,394	-	-	-	-	-	2,048,398	-	2,048,398
Shares issued upon over-allotment option	1	307,456	-	-	-	-	-	307,457	-	307,457
Automatic conversion of convertible redeemable preferred shares ("preferred shares") upon IPO	7	4,355,343	-	-	-	-	-	4,355,350	-	4,355,350
Share issue expenses	-	(100,676)	-	-	-	-	-	(100,676)	-	(100,676)
Share-based payments	-	-	-	159,977	-	-	-	159,977	-	159,977
<b>As at June 30, 2020 (Unaudited)</b>	<b>16</b>	<b>6,619,858</b>	<b>(19,292)</b>	<b>303,850</b>	<b>(6,036)</b>	<b>(110,626)</b>	<b>(3,415,180)</b>	<b>3,372,590</b>	<b>54,305</b>	<b>3,426,895</b>

	Attributable to owners of the parent									
	Share capital	Share premium	Other reserve	Share-	Asset	Foreign	Accumulated losses	Total	Non-controlling interests	Total equity
				based payments	revaluation	exchange				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 16)	(note 16)									
<b>As at January 1, 2019 (Audited)</b>	3	-	(19,292)	78,069	(6,036)	(18,038)	(939,007)	(904,301)	65,927	(838,374)
Loss for the period	-	-	-	-	-	-	(321,306)	(321,306)	(554)	(321,860)
Exchange differences on translation of foreign operations	-	-	-	-	-	(3,164)	-	(3,164)	-	(3,164)
Total comprehensive loss for the period	-	-	-	-	-	(3,164)	(321,306)	(324,470)	(554)	(325,024)
Share-based payments	-	-	-	32,615	-	-	-	32,615	-	32,615
<b>As at June 30, 2019 (Unaudited)</b>	<b>3</b>	<b>-</b>	<b>(19,292)</b>	<b>110,684</b>	<b>(6,036)</b>	<b>(21,202)</b>	<b>(1,260,313)</b>	<b>(1,196,156)</b>	<b>65,373</b>	<b>(1,130,783)</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>			
Loss before tax		<b>(337,444)</b>	(321,860)
Adjustments for:			
Finance costs		<b>485</b>	1,400
Interest income	4	<b>(40,091)</b>	(26,857)
Fair value changes of a convertible loan		<b>31,831</b>	23,559
Fair value changes of convertible redeemable preferred shares		<b>69,181</b>	236,962
Depreciation of property, plant and equipment		<b>834</b>	706
Depreciation of right-of-use assets		<b>4,272</b>	2,891
Amortisation of other intangible assets		<b>118</b>	52
Share-based payment expenses		<b>159,977</b>	32,615
		<b>(110,837)</b>	(50,532)
Increase in trade receivables		<b>(21)</b>	(25)
Increase in prepayments, other receivables and other assets		<b>(13,283)</b>	(11,488)
Increase in trade payables		<b>1,335</b>	880
Increase/(decrease) in other payables and accruals		<b>6,693</b>	(3,652)
(Decrease)/increase in deferred income		<b>(2,469)</b>	5,002
<b>Cash used in operations</b>		<b>(118,582)</b>	(59,815)
Interest received		<b>28,449</b>	26,857
<b>Net cash flows used in operating activities</b>		<b>(90,133)</b>	(32,958)
<b>Cash flows from investing activities</b>			
Investment income in wealth management products		<b>1,062</b>	8,178
Purchases of investments		<b>(135,000)</b>	(497,500)
Proceeds upon maturity of investments		<b>184,150</b>	550,829
Purchases of items of property, plant and equipment		<b>(110,921)</b>	(2,824)
Purchases of other intangible assets		<b>(43)</b>	(9)
Decrease/(increase) in other non-current assets		<b>12,757</b>	(4,670)
(Increase)/decrease in time deposits		<b>(1,819,052)</b>	205,183
<b>Net cash flows (used in)/from investing activities</b>		<b>(1,867,047)</b>	259,187

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

## 5. LOSS FOR THE PERIOD

The Group's loss is arrived at after charging:

	For the six months ended	
	June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	834	706
Depreciation of right-of-use assets	4,272	2,891
Amortisation of other intangible assets	118	52
Fair value changes of a convertible loan	31,831	23,559
Fair value changes of convertible redeemable preferred shares	69,181	236,962
Share-based payment expenses	159,977	32,615

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of Cayman Islands and B.V.I., the Group is not subject to any income tax in Cayman Islands or B.V.I.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for subsidiary which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of the subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The subsidiary incorporated in Australia is subject to income tax at the rate of 27.5% on the estimated assessable profits arising in Australia during the period.

The subsidiary of the Group operating in the United States of America was subject to federal tax at a rate of 21% and state tax at a rate of 8.7% in Delaware during the period.

The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008, except for certain subsidiaries of the Group in China which are granted tax concession and are taxed at preferential tax rates.

Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. ("InnoCare Nanjing") was qualified as High and New Technology Enterprises in 2018 and is subject to income tax at a preferential tax rate of 15% for the period.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

## 7. DIVIDEND

No dividends have been declared and paid by the Company for the six months ended June 30, 2020 (for the six months ended June 30, 2019: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share attributable to ordinary equity holders of the parent is based on the following data:

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the period attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>(334,785)</b>	(321,306)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>774,854</b>	194,462

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

## 13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>June 30, 2020 RMB'000 (Unaudited)</b>	December 31, 2019 RMB'000 (Audited)
Within 3 months	<b>3,187</b>	5,090
3 months to 6 months	<b>4,371</b>	–
6 months to 12 months	<b>–</b>	2,216
Over 1 year	<b>1,974</b>	891
	<b>9,532</b>	8,197

## 14. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares. For details of the background of preferred shares, please refer to note 29 to the consolidated financial statements included in the Group's annual report for the year ended December 31, 2019.

All preferred shares were automatically converted into 532,244,771 ordinary shares upon the successful IPO of the Company on March 23, 2020 (the "Conversion Date").

As of Conversion Date, the par value per preferred share is US\$0.000002 and the difference between the fair value of preferred shares and the par value is accounted for under the share premium.

The movements of the convertible redeemable preferred shares are set out below:

	<b>Series A Preferred Shares RMB'000</b>	<b>Series B Preferred Shares RMB'000</b>	<b>Series C Preferred Shares RMB'000</b>	<b>Series D Preferred Shares RMB'000</b>	<b>Total RMB'000</b>
As of January 1, 2019	168,570	388,619	548,871	828,690	1,934,750
Issue	–	–	–	412,672	412,672
Changes in fair value	194,570	442,178	521,062	656,208	1,814,018
Currency translation differences	4,364	10,009	13,291	24,668	52,332
As of December 31, 2019 (Audited)	367,504	840,806	1,083,224	1,922,238	4,213,772
Changes in fair value	<u>79,024</u>	<u>172,748</u>	<u>87,586</u>	<u>(270,177)</u>	<u>69,181</u>
Currency translation differences	<u>7,628</u>	<u>17,305</u>	<u>19,867</u>	<u>27,598</u>	<u>72,398</u>
Convert into ordinary shares	(454,156)	(1,030,859)	(1,190,677)	(1,679,659)	(4,355,351)
As of June 30, 2020 (Unaudited)	–	–	–	–	–

## **Loss for The Year**

As a result of the above factors, and taking into account our fair value changes of a loss of RMB69.2 million by convertible redeemable preferred shares for the year ended December 31, 2020 comparing with a loss of RMB1,814.0 million as of prior year, which were converted to common shares after the IPO, and the fair value changes of a loss of RMB32.4 million by convertible loan for the year ended December 31, 2020 comparing with a loss of RMB159.9 million, which are primarily due to the increase in our company's valuation, the loss for the year decreased from RMB2,150.4 million for the year ended December 31, 2019 to RMB391.9 million for the year ended December 31, 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW**

### **OVERVIEW**

InnoCare is a commercial stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancers and autoimmune diseases – two large therapeutic areas with significant market opportunity and synergies. Led by a well-known management team of seasoned industry executives, we have built a fully integrated biopharmaceutical platform with strong in-house R&D, clinical development, manufacturing and commercialization capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates target both novel and evidence-based biological pathways. Our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. Our strategy is to rapidly advance our clinical programs and seek approval to commercialize our product candidates in China. At the same time, we are expanding clinical trials globally including the United States for promising indications to maximize the commercial value of our assets.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased from RMB3.5 million in 2019 to RMB68.2 million in 2020, primarily attributable to the launching of Orelabrutinib before the year end and relevant sales and distribution expenses increased, including (i) an increase in employee cost of our sales and marketing personnel from RMB1.1 million to RMB25.5 million; (ii) an increase in market research and market promotion from RMB0.1 million to RMB16.0 million; and (iii) an increase in share-based compensation from RMB1.3 million to RMB21.6 million.

	Year Ended December 31,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Employee cost	25,487	37.4	1,101	31.8
Share-based compensation	21,550	31.6	1,291	37.3
Market research and market promotion	15,964	23.4	110	3.2
Others	5,207	7.6	956	27.7
<b>Selling and Distribution Expenses</b>	<b>68,208</b>	<b>100.0</b>	<b>3,458</b>	<b>100.0</b>

### ***Fair value changes of convertible redeemable preferred shares***

Our fair value changes of convertible redeemable preferred shares is RMB69.2 million in 2020 comparing to RMB1,814.0 million in 2019, primarily attributable to the preferred shares converting to common shares due to the IPO in the first half of 2020.

### ***Finance Costs***

Our finance costs decreased from RMB1.9 million in 2019 to RMB1.1 million in 2020, primarily due to the decrease in the transaction costs for the issue of our convertible redeemable preferred shares.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended December 31, 2020*

	<i>Notes</i>	<b>2020</b> <b><i>RMB'000</i></b>	2019 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>1,364</b>	1,247
Cost of sales		<u>–</u>	<u>–</u>
Gross profit		<b>1,364</b>	1,247
Other income and gains	4	<b>271,304</b>	104,449
Selling and distribution expenses		<b>(68,208)</b>	(3,458)
Research and development costs		<b>(402,771)</b>	(213,123)
Administrative expenses		<b>(89,371)</b>	(63,623)
Other expenses		<b>(33,863)</b>	(159,909)
Fair value changes of convertible redeemable preferred shares		<b>(69,181)</b>	(1,814,018)
Finance costs		<b>(1,139)</b>	(1,916)
<b>LOSS BEFORE TAX</b>		<b><u>(391,865)</u></b>	(2,150,351)
Income tax expense	5	<u>–</u>	<u>–</u>
<b>LOSS FOR THE YEAR</b>		<b><u><u>(391,865)</u></u></b>	<b><u><u>(2,150,351)</u></u></b>
Attributable to:			
Owners of the parent		<b><u>(391,395)</u></b>	(2,141,388)
Non-controlling interests		<b><u>(470)</u></b>	(8,963)
		<b><u><u>(391,865)</u></u></b>	<b><u><u>(2,150,351)</u></u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic and diluted	7	<b><u><u>(RMB0.40)</u></u></b>	<b><u><u>(RMB9.32)</u></u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>LOSS FOR THE YEAR</b>	<b><u>(391,865)</u></b>	<b><u>(2,150,351)</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may <u>not</u> be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(324,100)</u>	<u>(34,167)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b><u>(324,100)</u></b>	<b><u>(34,167)</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(715,965)</u></b>	<b><u>(2,184,518)</u></b>
Attributable to:		
Owners of the parent	<u>(715,495)</u>	<u>(2,175,555)</u>
Non-controlling interests	<u>(470)</u>	<u>(8,963)</u>
	<b><u>(715,965)</u></b>	<b><u>(2,184,518)</u></b>

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdictions in which the company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
Loss before tax	<u><b>(391,865)</b></u>	<u>(2,150,351)</u>
Tax at the statutory tax rate of 25%	<u><b>(97,966)</b></u>	(537,588)
Effect of tax rate differences in other jurisdictions	<u><b>38,720</b></u>	469,493
Preferential tax rates applicable to certain subsidiaries	<u><b>21,383</b></u>	15,736
Additional deductible allowance for qualified research and development costs	<u><b>(28,847)</b></u>	(23,986)
Tax losses not recognised	<u><b>65,368</b></u>	75,734
Expenses not deductible for tax	<u><b>1,342</b></u>	611
Tax charge at the Group's effective rate	<u><b>—</b></u>	<u>—</u>

The Group has tax losses arising in Mainland China of RMB837,041,000 that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 6. DIVIDEND

No dividends have been declared and paid by the Company for the year ended December 31, 2020 (2019: Nil).

## 7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share amounts attributable to ordinary equity holders of the parent is based on the following data:

	<b>Year ended December 31</b>	
	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
<u>Loss</u>		
Loss for the year attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u><b>(391,395)</b></u>	<u>(2,141,388)</u>
	<b>2020</b>	2019
	<b>Number of shares</b> <b>'000</b>	Number of shares <b>'000</b>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u><b>967,576</b></u>	<u>229,727</u>

The computation of basic and diluted loss per share for the years ended December 31, 2020 and 2019 excluded the unvested share options and restricted stock units of the Company.

# FINANCIAL HIGHLIGHTS

In 2020, the Group has achieved the following growth when compared with those of 2019:

	<b>As at December 31,/year ended December 31,</b>			
	<b>2020</b>	2019	2018	2017
	<b>RMB'000</b>	RMB'000	RMB'000	RMB'000
Cash and bank balances	<b>3,969,640</b>	2,291,773	1,876,618	36,874
Total assets	<b>4,537,710</b>	2,615,693	2,201,159	107,401
Total liabilities	<b>1,377,204</b>	5,563,439	3,039,533	499,465
Total equity/(deficit)	<b>3,160,506</b>	(2,947,746)	(838,374)	(392,064)
REVENUE	<b>1,364</b>	1,247	1,617	102
Other income and gains	<b>271,304</b>	104,449	31,395	11,424
Selling and distribution expenses	<b>(68,208)</b>	(3,458)	(558)	–
Research and development costs	<b>(402,771)</b>	(213,123)	(149,726)	(62,882)
Administrative expenses	<b>(89,371)</b>	(63,623)	(17,523)	(14,644)
Other expenses	<b>(33,863)</b>	(159,909)	(27,979)	(542)
Finance costs	<b>(1,139)</b>	(1,916)	(3,441)	(2,537)
Fair value changes of convertible redeemable preferred shares	<b>(69,181)</b>	(1,814,018)	(387,804)	(272,686)
Shares of profits and losses of joint ventures	<b>–</b>	–	(4)	31
LOSS FOR THE YEAR	<b>(391,865)</b>	(2,150,351)	(554,023)	(341,734)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
– Basic and diluted	<b>(RMB0.40)</b>	(RMB9.32)	(RMB2.83)	(RMB1.76)

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased from RMB3.5 million in 2019 to RMB68.2 million in 2020, primarily attributable to the launching of Orelabrutinib before the year end and relevant sales and distribution expenses increased, including (i) an increase in employee cost of our sales and marketing personnel from RMB1.1 million to RMB25.5 million; (ii) an increase in market research and market promotion from RMB0.1 million to RMB16.0 million; and (iii) an increase in share-based compensation from RMB1.3 million to RMB21.6 million.

	Year Ended December 31,			
	2020		2019	
	RMB'000	%	RMB'000	%
Employee cost	25,487	37.4	1,101	31.8
Share-based compensation	21,550	31.6	1,291	37.3
Market research and market promotion	15,964	23.4	110	3.2
Others	5,207	7.6	956	27.7
<b>Selling and Distribution Expenses</b>	<b>68,208</b>	<b>100.0</b>	3,458	100.0

### *Fair value changes of convertible redeemable preferred shares*

Our fair value changes of convertible redeemable preferred shares is RMB69.2 million in 2020 comparing to RMB1,814.0 million in 2019, primarily attributable to the preferred shares converting to common shares due to the IPO in the first half of 2020.

### *Finance Costs*

Our finance costs decreased from RMB1.9 million in 2019 to RMB1.1 million in 2020, primarily due to the decrease in the transaction costs for the issue of our convertible redeemable preferred shares.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>REVENUE</b>	5	<b>1,364</b>	1,247
Cost of sales		–	–
<b>Gross profit</b>		<b>1,364</b>	1,247
Other income and gains	5	<b>271,304</b>	104,449
Selling and distribution expenses		<b>(68,208)</b>	(3,458)
Research and development costs		<b>(402,771)</b>	(213,123)
Administrative expenses		<b>(89,371)</b>	(63,623)
Other expenses		<b>(33,863)</b>	(159,909)
Fair value changes of convertible redeemable preferred shares	28	<b>(69,181)</b>	(1,814,018)
Finance costs	7	<b>(1,139)</b>	(1,916)
<b>LOSS BEFORE TAX</b>		<b>(391,865)</b>	(2,150,351)
Income tax expense	10	–	–
<b>LOSS FOR THE YEAR</b>		<b>(391,865)</b>	(2,150,351)
<b>Attributable to:</b>			
Owners of the parent		<b>(391,395)</b>	(2,141,388)
Non-controlling interests		<b>(470)</b>	(8,963)
		<b>(391,865)</b>	(2,150,351)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic and diluted	12	<b>(RMB0.40)</b>	(RMB9.32)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
<b>LOSS FOR THE YEAR</b>	<b>(391,865)</b>	(2,150,351)
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Other comprehensive loss that may <u>not</u> be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translation of foreign operations	<b>(324,100)</b>	(34,167)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b>(324,100)</b>	(34,167)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(715,965)</b>	(2,184,518)
<b>Attributable to:</b>		
Owners of the parent	<b>(715,495)</b>	(2,175,555)
Non-controlling interests	<b>(470)</b>	(8,963)
	<b>(715,965)</b>	(2,184,518)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

## Year ended 31 December 2020

	Attributable to owners of the parent									
	Share capital	Share premium	Other reserve	Share-based payment reserve	Asset revaluation reserve	Foreign exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31)	(note 31)	(note 32(a))	(note 33)		(note 32(b))				
At 1 January 2020	4	9,341	(19,292)	143,873	(6,036)	(52,205)	(3,080,395)	(3,004,710)	56,964	(2,947,746)
Loss for the year	-	-	-	-	-	-	(391,395)	(391,395)	(470)	(391,865)
Exchange differences on translation of foreign operations	-	-	-	-	-	(324,100)	-	(324,100)	-	(324,100)
Total comprehensive loss for the year	-	-	-	-	-	(324,100)	(391,395)	(715,495)	(470)	(715,965)
Shares issued upon initial public offering ("IPO") (note 31)	4	2,048,394	-	-	-	-	-	2,048,398	-	2,048,398
Shares issued upon overallotment Option (note 31)	1	307,456	-	-	-	-	-	307,457	-	307,457
Automatic conversion of convertible redeemable preferred shares ("preferred shares") upon IPO (note 28,31)	7	4,355,343	-	-	-	-	-	4,355,350	-	4,355,350
Share issue expenses	-	(102,609)	-	-	-	-	-	(102,609)	-	(102,609)
Equity-settled share-based payment expenses	-	-	-	215,621	-	-	-	215,621	-	215,621
Exercise of RSUs	-	125,311	-	(125,311)	-	-	-	-	-	-
At 31 December 2020	16	6,743,236	(19,292)	234,183	(6,036)	(376,305)	(3,471,790)	3,104,012	56,494	3,160,506

These reserve accounts comprise the consolidated reserves of RMB3,103,996,000 (2019: RMB (3,004,714,000)) in the consolidated statement of financial position.

## Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital	Share premium	Other reserve	Share-based payment reserve	Asset revaluation reserve	Foreign exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31)	(note 31)	(note 32(a))	(note 33)		(note 32(b))				
At 1 January 2019	3	-	(19,292)	78,069	(6,036)	(18,038)	(939,007)	(904,301)	65,927	(838,374)
Loss for the year	-	-	-	-	-	-	(2,141,388)	(2,141,388)	(8,963)	(2,150,351)
Exchange differences on translation of foreign operations	-	-	-	-	-	(34,167)	-	(34,167)	-	(34,167)
Total comprehensive loss for the year	-	-	-	-	-	(34,167)	(2,141,388)	(2,175,555)	(8,963)	(2,184,518)
Issue of shares (note 31)	1	9,341	-	-	-	-	-	9,342	-	9,342
Share-based payments	-	-	-	65,804	-	-	-	65,804	-	65,804
At 31 December 2019	4	9,341	(19,292)	143,873	(6,036)	(52,205)	(3,080,395)	(3,004,710)	56,964	(2,947,746)

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(391,865)</b>	(2,150,351)
Adjustments for:			
Finance costs	7	<b>1,139</b>	1,916
Interest income	5	<b>(96,809)</b>	(72,047)
Other interest income from financial assets at fair value through profit or loss		<b>(1,766)</b>	–
Fair value changes of a convertible loan	29	<b>32,374</b>	159,907
Fair value changes of convertible redeemable preferred shares	28	<b>69,181</b>	1,814,018
Covid-19-related rent concessions from lessors		<b>(150)</b>	–
Depreciation of property, plant and equipment	13	<b>2,067</b>	1,462
Depreciation of right-of-use assets	14	<b>9,119</b>	7,204
Amortisation of other intangible assets	16	<b>265</b>	400
Share-based payment expenses		<b>215,621</b>	65,804
		<b>(160,824)</b>	(171,687)
Increase in inventories		<b>(1,878)</b>	–
(Increase)/decrease in trade receivables		<b>(115)</b>	7
Increase in prepayments, other receivables and other assets		<b>(36,422)</b>	(17,455)
Decrease in other non-current assets		<b>1,579</b>	–
(Decrease)/increase in trade payables		<b>(2,677)</b>	6,004
Increase in other payables and accruals		<b>34,357</b>	36,132
Decrease in deferred income		<b>(51,389)</b>	(3,454)
<b>Cash used in operations</b>		<b>(217,369)</b>	(150,453)
Interest received		<b>44,850</b>	70,700
<b>Net cash flows used in operating activities</b>		<b>(172,519)</b>	(79,753)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>33,343</b>	3,772
Receipt of government grants for property, plant and equipment		–	100,000
Purchases of investments		<b>(135,000)</b>	(1,087,000)
Purchases of items of property, plant and equipment		<b>(250,995)</b>	(74,569)
Purchases of other intangible assets	16	<b>(271)</b>	(464)
Proceeds upon maturity of investments		<b>217,114</b>	1,171,935
Increase in time deposits		<b>(971,139)</b>	(66,206)
<b>Net cash flows (used in)/from investing activities</b>		<b>(1,106,948)</b>	47,468

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	13	2,068	1,462
Depreciation of right-of-use assets	14	9,119	7,204
Amortisation of other intangible assets	16	266	430
Auditor's remuneration		2,180	558
Listing expense		23,285	20,289
Research and development costs, excluded			
share-based payment expenses		221,788	155,958
Fair value changes of a convertible loan	29	32,374	159,907
Fair value changes of convertible redeemable preferred shares	28	69,181	1,814,018
Employee benefit expense (excluding directors' and chief executive's remuneration)	8		
Wages and salaries		108,993	53,284
Pension scheme contributions		11,284	9,792
Staff welfare expenses		2,085	2,484
Share-based payment expenses		86,624	34,381
		<b>208,986</b>	99,941

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	908	749
Interest on loans from a related party	231	88
Transaction cost for the issue of the Company's convertible redeemable preferred shares	—	978
Interest on loans from third parties	—	101
	<b>1,139</b>	1,916

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 10. INCOME TAX (continued)

### United States of America (continued)

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Loss before tax	<u>(391,865)</u>	(2,150,351)
Tax at the statutory tax rate of 25%	<u>(97,966)</u>	(537,588)
Effect of tax rate differences in other jurisdictions	<u>38,720</u>	469,493
Preferential tax rates applicable to certain subsidiaries	<u>21,383</u>	15,736
Additional deductible allowance for qualified research and development costs	<u>(28,847)</u>	(23,986)
Tax losses not recognised	<u>65,368</u>	75,734
Expenses not deductible for tax	<u>1,342</u>	611
Tax charge at the Group's effective rate	<u>-</u>	-

The Group has tax losses arising in Mainland China of RMB837,041,000 that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 11. DIVIDEND

No dividends have been declared and paid by the Company for the year ended 31 December 2020 (2019: Nil).

## 12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share amounts attributable to ordinary equity holders of the parent is based on the following data:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Loss</b>		
Loss for the year attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>(391,395)</u>	(2,141,388)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 27. LOANS FROM A RELATED PARTY

The loans from a related party arose from loans from a holder of convertible redeemable preferred shares of the Company, of which an interest-bearing loan of US\$1.28 million was borrowed in July 2017 and bears interest at 1% per annum. The loan has been repaid during the year.

## 28. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares. For details of the background of preferred shares, please refer to note 29 to the consolidated financial statements included in the Group's annual report for the year ended 31 December 2019.

All preferred shares were automatically converted into 532,244,771 ordinary shares upon the successful IPO of the Company on 23 March 2020 (the "Conversion Date").

As of the Conversion Date, the par value per preferred share is US\$0.000002 and the difference between the fair value of preferred shares and the par value is accounted for under the share premium.

The movements of the convertible redeemable preferred shares are set out below:

	<b>Series A Preferred Shares</b> RMB'000	<b>Series B Preferred Shares</b> RMB'000	<b>Series C Preferred Shares</b> RMB'000	<b>Series D Preferred Shares</b> RMB'000	<b>Total</b> RMB'000
At 1 January 2020	367,504	840,806	1,083,224	1,922,238	4,213,772
Changes in fair value	79,024	172,748	87,586	(270,177)	69,181
Currency translation differences	7,628	17,305	19,867	27,598	72,398
Conversion into ordinary shares	(454,156)	(1,030,859)	(1,190,677)	(1,679,659)	(4,355,351)
At 31 December 2020	–	–	–	–	–
At 1 January 2019	168,570	388,619	548,871	828,690	1,934,750
Issue	–	–	–	412,672	412,672
Changes in fair value	194,570	442,178	521,062	656,208	1,814,018
Currency translation differences	4,364	10,009	13,291	24,668	52,332
At 31 December 2019	367,504	840,806	1,083,224	1,922,238	4,213,772

On the listing date, all the preferred shares were automatically converted into ordinary shares, taken the IPO issue price of the ordinary shares of the Company as the fair value, namely HK\$8.95 (equivalent to RMB8.18).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	RMB'000	RMB'000
<b>CURRENT ASSETS</b>		
Due from a subsidiary	762,922	549,425
Cash and bank balances	3,042,882	1,190,462
Total current assets	3,805,804	1,739,887
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	2,800	-
Due to a subsidiary	-	12,936
Loans from a related party	-	9,098
Total current liabilities	2,800	22,034
<b>NET CURRENT ASSETS</b>	3,803,004	1,717,853
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	3,803,004	1,717,853
<b>NON-CURRENT LIABILITIES</b>		
Convertible redeemable preferred shares	-	4,213,772
Total non-current liabilities	-	4,213,772
<b>NET ASSETS/(LIABILITIES)</b>	3,803,004	(2,495,919)
<b>EQUITY</b>		
Share capital	16	4
Reserves	3,802,988	(2,495,923)
<b>TOTAL EQUITY</b>	3,803,004	(2,495,919)

Note:

A summary of the Company's reserves is as follows:

	31 December 2020					
	Share premium	Other reserve	Share-based payment reserve	Foreign exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	9,341	602	143,873	(28,076)	(2,621,663)	(2,495,923)
Profit for the year	-	-	-	-	(148,109)	(148,109)
Exchange differences on translation of foreign operations into the presentation currency	-	-	-	(377,185)	-	(377,185)
Total comprehensive loss for the year	-	-	-	(377,185)	(148,109)	(525,294)
Issue of shares	6,608,583	-	-	-	-	6,608,583
Equity-settled share-based payment expenses	-	-	215,621	-	-	215,621
Exercise of RSUs	125,311	-	(125,311)	-	-	-
At 31 December 2020	6,743,235	602	234,183	(405,261)	(2,769,772)	3,802,987