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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)

NOTIFIABLE TRANSACTION SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

The Board announces that between 8 October 2021 and 29 December 2021, the Company, through its subsidiaries, subscribed for the Wealth Management Products (the investment scope of which does not include equity securities) for an aggregate principal amount of RMB715 million. As at the date of this announcement, the aggregated outstanding principal amount of the Group's Wealth Management Products was RMB590 million.

Listing Rules Implications

As all Wealth Management Products were subscribed with CMB Wealth Management and are of similar nature, the corresponding principal amounts of each of the Subscriptions, all completed within a 12 month period, have been aggregated as if there were one transaction with CMB Wealth Management for the purpose of calculating the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios, on an aggregate basis, in respect of the Subscriptions at the relevant period exceed 100%, the Subscriptions technically constitute a very substantial acquisition of the Company for the purpose of the Listing Rules and should have been subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rule, even though, had the Company followed the relevant Listing Rules requirements to have computed the relevant size tests before entering into the Subscriptions, the applicable percentage ratios might have been different and resulted in the relevant aggregated transactions under the Subscription being re-categorized.

The Company should have complied with the relevant reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of the Subscriptions as and when such obligations arose. Regrettably, the Company failed to comply with these Listing Rules requirements due to its unintentional and inadvertent oversight.

Considering that (i) all of the Non-fixed-termed Products will be redeemed on the next available redemption date, i.e., April 19, 2022; and (ii) the subscriptions of all the Fixed-termed Products have been made with no early termination right on the part of the Group before the respective redemption dates, even though the Subscriptions in nature technically constituted a very substantial acquisition and should have been subject to the Shareholders' approval requirement as set out above, the Company considers that it might not be meaningful and therefore does not intend to despatch any circular or convene any general meeting of the Company for the purpose of approving or ratifying the Subscriptions. Instead, as soon as this breach has been discovered during the preparation of the Company's annual report for the year ended December 31, 2021, the Company has proceeded to publishing this announcement with Board's approval at the earliest opportunity.

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

The Board announces that between 8 October 2021 and 29 December 2021, the Company, through its subsidiaries, subscribed for the Wealth Management Products (the investment scope of which does not include equity securities) for an aggregate principal amount of RMB715 million. The Subscriptions were approved by the Chairperson under the pre-authorisation of the Board, and therefore does not require specific Board approval thereof. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of CMB and CMB Wealth Management and their respective ultimate beneficial owner(s) are Independent Third Parties. The principal amounts of each of the Subscriptions, calculated cumulatively, constituted a very substantial acquisition. The key terms of each Subscription (including both fully redeemed and outstanding products as of the date of this announcement) are set out in the table below.

Subscription Date	Accrual interests commencement date	(Expected) Redemption date	Redeemed/ outstanding	Name of product	Principal amounts of subscription	Term of product and redemption	Type of product and risk rating	Expected return rate	Investment scope of product
8/10/2021	11/10/2021	11/10/2023	outstanding	Two-Year Fixed Income Wealth Management Plan No. 001 of Zhaorui Qingkui Series under CMB Wealth Management	RMB300,000,000	Fixed term of two years	Non-principal guaranteed with floating return, moderately low risk	4-4.4%	Note (a)
12/10/2021	14/10/2021	14/12/2022	outstanding	CMB Wealth Management Zhaorui High Yield A No.29 Close-ended Fixed Income Wealth Management Plan	RMB240,000,000	Fixed term of one year and two months	Non-principal guaranteed with floating return, moderately low risk	4.1-4.2%	Note (b)
23/11/2021	24/11/2021	19/04/2022	outstanding	Monthly Dividend (Balanced) No.1 Fixed Income Wealth Management Plan of CMB Wealth Management	RMB50,000,000	No fixed term	Non-principal guaranteed with floating return, moderately low risk	3.2-3.4%	Note (c)

Subscription Date	Accrual interests commencement date	(Expected) Redemption date	Redeemed/ outstanding	Name of product	Principal amounts of subscription	Term of product and redemption	Type of product and risk rating	Expected return rate	Investment scope of product
26/10/2021	26/10/2021	4/11/2021	Redeemed	China Merchants Bank Ririxin Wealth Management Plan	RMB50,000,000	No fixed term	Non-principal guaranteed with floating return, moderately low risk	7-day notice deposit interest rate published by the People's Bank of China	Note (d)
12/11/2021	12/11/2021	18/11/2021	Redeemed	China Merchants Bank Ririxin Wealth Management Plan	RMB50,000,000	No fixed term	Non-principal guaranteed with floating return, moderately low risk	7-day notice deposit interest rate published by the People's Bank of China	Note (d)
12/11/2021	12/11/2021	17/1/2022	Redeemed	China Merchants Bank Ririxin Wealth Management Plan	RMB10,000,000	No fixed term	Non-principal guaranteed with floating return, moderately low risk	7-day notice deposit interest rate published by the People's Bank of China	Note (d)
29/12/2021	29/12/2021	20/1/2022 and 11/3/2022	Redeemed	China Merchants Bank Ririxin Wealth Management Plan	RMB15,000,000	No fixed term	Non-principal guaranteed with floating return, moderately low risk	7-day notice deposit interest rate published by the People's Bank of China	Note (d)

Notes:

- (a) The relevant Wealth Management Products invest directly or indirectly in the following financial assets and financial instruments, including but not limited to: cash, bank deposits, interbank deposits, certificates of deposit, interbank certificates of deposit, placements from financial institutions, bond repurchase, monetary fund and other money market instruments; treasury bonds, central bank notes, corporate bonds, financial bonds, policy financial bonds, subordinated bonds, asset-backed securities, local government bonds, medium-term notes, short-term financing bonds, ultra-short-term financing bonds, corporate bonds, private placement bonds, perpetual bonds, private placement bonds of small and medium-sized enterprises, private placement note (PPN), secondary capital bonds, bond funds and other standardized debt assets; trust loans (including renewable loans), interbank loans, accounts receivable, income rights transfer (with repurchase), acceptance bills, letters of credit, income certificates, transfer of rights and interests in margin financing and equity income rights (with repurchase), credit asset transfer, exchange-listed debt assets, renewable loans/perpetual debt assets and other non-standardized debt assets approved by the regulatory authorities; treasury futures, interest rate swaps and other derivative financial instruments linked to fixed-income assets.

- (b) The relevant Wealth Management Products invest in standardized debt assets, supplemented by non-standardized debt assets. The investment scopes of this wealth management plan are as follows: (i) this product can invest, either directly or indirectly, in money market and cash management instruments, standardized debt assets, or invest directly in asset management products with money market instruments and standardized debt assets as the underlying assets, including but not limited to bond reverse repo, treasury bonds, local government bonds, central bank bills, bonds of government agencies, financial bonds, bank certificates of deposits, certificates of deposit, interbank certificates of deposits, corporate credit bonds, asset-backed securities issued in the interbank market and stock exchange market and publicly raised securities investment funds, etc. Among them, cash or treasury bonds, central bank bills and policy-based financial bonds with a maturity period of less than one year are assets of high liquidity; (ii) this product can invest, either directly or indirectly, in non-standardized debt assets, including but not limited to loans in trust forms, account receivables, transfer of income rights (with repurchase), promissory notes, letters of credit, income certificates, transfer and assignment of equity income rights, etc.; (iii) this product can invest, either directly or indirectly, in derivative financial instruments, including but not limited to treasury futures, interest rate swaps, etc.
- (c) The relevant Wealth Management Products invest directly or indirectly in the following financial assets and financial instruments, including but not limited to: treasury bonds, financial bonds, central bills, municipal bonds, government agency bonds, corporate bonds, corporate bonds, short-term financing bonds, ultra-short-term financing bonds, medium-term notes, small and medium-sized enterprise pooled notes, subordinated bonds, second-tier capital bonds, private placement notes (PPN), asset-backed notes, credit asset-backed securities and asset-backed securities listed on the stock exchange, fixed-income publicly-offered securities investment funds, inter-bank certificates of deposit and other standardized debt assets, as well as bank deposits, mainly certificates of deposit, capital borrowing and reverse repurchases of bonds, and asset management plans or trusts that invest in standardized debt assets; of which, the cash or treasury bonds, central bills and strategic financial bonds expired within one year are highly current assets; and non-standardized debt assets such as trust loans, accounts receivable, transfer of income rights (with repurchase), promissory notes, letters of credit, income certificates, transfer of equity income rights (with repurchase), and asset management plans or trust plans that invest in non-standardized debt assets; and equity-type assets such as preferred shares only. The product does not invest in common stocks, warrants and other assets, derivative financial instruments linked to fixed-income assets such as treasury futures and interest rate swaps.
- (d) The relevant Wealth Management Products invest directly or indirectly in various bank deposits, placements with banks and financial assets and financial instruments in the interbank and exchange markets, including but not limited to bank deposits, certificates of deposit, bonds, interbank certificates of deposit, asset-backed securities, amounts held under resale agreements, and other fixed-income financial assets and financial instruments that meet regulatory requirements, such as money market funds, as well as asset management products with money market instruments and standardized debt assets as the subject.

As at the date of this announcement, the aggregated outstanding principal amount of the Group's Wealth Management Products was RMB590 million.

BASIS OF DETERMINATION FOR THE CONSIDERATION

The Directors confirmed that the considerations of the Subscriptions were determined between the Company and CMB Wealth Management on the basis of commercial terms negotiated at arm's length after taking into account the surplus cash reserve resources (being the License-out Upfront Payment at the material time) of the Group available for the purpose of cash management, as well as the risk level, investment terms and annualised rate of return of the Wealth Management Products.

REASONS FOR AND BENEFITS OF SUBSCRIBING THE WEALTH MANAGEMENT PRODUCTS

In order to reasonably utilize the surplus cash reserve from the License-out Upfront Payment, enhance the efficiency in the utilization of such funds, better achieve capital preservation and appreciation and to bring return to the Shareholders, after taking into account the normal operation funding needs and the liquidity requirements of the Group, the Directors decided to use some of the surplus cash reserves from the License-out Upfront Payment to purchase the Wealth Management Products.

The Directors (including independent non-executive Directors) are of the view that (i) from a cash management perspective, the Subscriptions provide the Group with better return than fixed deposits generally offered by commercial banks in the PRC; (ii) the Subscription was funded by the Group's surplus cash reserves from the License-out Upfront Payment, and has implemented adequate and appropriate internal control procedures to ensure the Subscriptions would not affect the Group's working capital position nor its principal business development and would not adversely affect the interests of independent Shareholders; and (iii) appropriate wealth management with moderately low risk exposure is conducive to enhancing the utilization of capital and increasing income from idle funds of the Group at base interest rates similar to fixed income securities investments available in the market. Accordingly, the Directors (including independent non-executive Directors) consider that the terms of each of the Wealth Management Products are fair and reasonable and are on normal commercial terms, and each of the Subscriptions is in the interests of the Company and the Shareholders as a whole.

STATUS OF THE SUBSCRIPTIONS AND PLAN OF THE COMPANY

As of December 31, 2021, as disclosed in the annual results announcement published on March 23, 2022, the Subscriptions generated (i) an investment income of RMB70,000; and (ii) a fair value gain of RMB6,733,000 measured at fair value through the Company's profit/loss account.

To the extent that the Group's normal operation funding needs and its liquidity requirements are being satisfied on a continuing basis, the Company plans to maintain the underlying investments of the Fixed-termed Products in order to keep enhancing the utilization of its capital and increasing income from its idle funds as a part of its prudent cash management strategy.

PARTIES INFORMATION

Information on the Company

The Company 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.

Information on CMB

CMB is a licensed bank in the PRC and a joint stock company incorporated in the PRC with limited liability. CMB and its subsidiaries are principally engaged in corporate and personal banking services, treasury business, asset management and other financial services. CMB is listed on the Stock Exchange (Stock Code: 03968) and the Shanghai Stock Exchange (Stock Code: 600036).

Information on CMB Wealth Management

CMB Wealth Management is a limited company incorporated under the laws of the PRC. It is a wholly owned subsidiary of and undertake wealth management function for CMB.

LISTING RULES IMPLICATIONS

As all Wealth Management Products were subscribed with CMB Wealth Management and are of similar nature, the corresponding principal amounts of each of the Subscriptions, all completed within a 12 month period, have been aggregated as if there were one transaction with CMB Wealth Management for the purpose of calculating the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios, on an aggregate basis, in respect of the Subscriptions at the relevant period exceed 100%, the Subscriptions technically constitute a very substantial acquisition of the Company for the purpose of the Listing Rules and should have been subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules even though, had the Company followed the relevant Listing Rules requirements to have computed the relevant size tests before entering into the Subscriptions, the applicable percentage ratios might have been different and resulted in the relevant aggregated transactions under the Subscription being re-categorized.

The Company should have complied with the relevant reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of the Subscriptions as and when such obligations arose. Regrettably, the Company failed to comply with these Listing Rules requirements due to its unintentional and inadvertent oversight.

Considering that (i) all of the Non-fixed-termed Products will be redeemed on the next available redemption date, i.e., April 19, 2022; and (ii) the subscriptions of all the Fixed-termed Products have been made with no early termination right on the part of the Group before the respective redemption dates, even though the Subscriptions in nature technically constituted a very substantial acquisition and should have been subject to the Shareholders' approval requirement as set out above, the Company considers that it might not be meaningful and therefore does not intend to despatch any circular or convene any general meeting of the Company for the purpose of approving or ratifying the Subscriptions. Instead, as soon as this breach has been discovered during the preparation of the Company's annual report for the year ended December 31, 2021, the Company has proceeded to publishing this announcement with Board's approval at the earliest opportunity.

REMEDIAL ACTIONS

The Company deeply regrets its non-compliance with the Listing Rules but the Company would like to stress that the delay in compliance with the Listing Rules was inadvertent and unintentional. To prevent similar cases from occurring in the future, the Company has implemented the following remedial actions with immediate effect:

1. In preparing for the 2021 annual report, the Company has conducted a comprehensive review and self-examination of the purchase of Wealth Management Products in 2021, and hereby makes this supplementary announcement on all financial products that should have been disclosed but were not previously disclosed;

2. With the assistance of the legal advisers, the Company received a training on the applicability of Chapter 14 of the Listing Rules on any subscription of a wealth management product and will also adopt and circulate the relevant internal guidelines, to remind the responsible staff, senior management and Directors and strengthen their understanding to identify the circumstances which are expected to trigger the announcement requirement under the Listing Rules and potential issues at an early stage to avoid the recurrence of delay in disclosure for future subscriptions of Wealth Management Products should such obligations arise;
3. The Company has circulated a detailed guideline relating to notifiable and connected transactions under the Listing Rules and will offer more regular trainings by its legal advisers, with the first training to be arranged during April, 2022, to remind the responsible staff, senior management and Directors in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at early stage;
4. As soon as the relevant breach has been discovered, the Company has been improving its financial control system, and improve the communication, coordination and reporting arrangements for notifiable transactions among the relevant departments (the “**Relevant Departments**”) of the Group, including among its finance team, legal team, and the office of board secretary team. Specifically, with immediate effect, prior to entering into any relevant potential transaction in the future, the finance team will perform size test analysis accordingly. Where disclosure threshold is met, the finance team will notify the Relevant Departments the details of the proposed transaction and circulate the relevant drafts of transaction agreement for review by the legal team and the office of board secretary team of the Company to ensure compliance with the Listing Rules; and
5. On an ongoing basis, the Company will work more closely with its internal legal advisers on compliance issues and shall, as and when appropriate and necessary, consult other professional advisers (including the Company’s compliance adviser and legal advisers) before entering into any potential notifiable transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of the proposed transaction.

Going forward, the Company will continue to comply with the management procedures of its investments on Wealth Management Products and make such disclosure in a timely manner to ensure compliance with the Listing Rules.

DEFINITIONS

“Board”	the board of Directors of the Company;
“CMB Wealth Management”	CMB Wealth Management Company Limited, a company incorporated under the laws of the PRC and a wholly-owned subsidiary of CMB;
“CMB”	China Merchants Bank Co., Ltd., a licensed bank incorporated under the laws of the PRC, whose shares are listed on the Main Board of the Stock Exchange (H share stock code: 03968; Preference share stock code: 04614) and the Shanghai Stock Exchange (Stock Code: 600036);
“Chairperson”	Dr. Jisong Cui, chairperson of the Board;

“Company”	InnoCare Pharma Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9969);
“Director(s)”	the director(s) of the Company;
“Fixed-termed Products”	namely, (i) Two-Year Fixed Income Wealth Management Plan No. 001 of Zhaorui Qingkui Series under CMB Wealth Management; and (ii) CMB Wealth Management Zhaorui High Yield A No. 29 Close ended fixed Income Wealth Management Plan, respectively;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules);
“License-out Upfront Payment”	The lump sum license-out upfront payment in the amount of USD125 million that the Company received from Biogen International GmbH and Biogen MA Inc. in 22 September 2021 as set out in the announcement of the Company dated 23 February 2022;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Non-fixed-termed Products”	namely, (i) Monthly Dividend (Balanced) No.1 Fixed Income Wealth Management Plan of CMB Wealth Management; and (ii) China Merchants Bank Ririxin Wealth Management Plan;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	The ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Shareholders”	The shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Subscriptions”	subscription of the Wealth Management Products by the Company;
“Wealth Management Products”	The wealth management products issued by CMB and administered by CMB Wealth Management and subscribed by the Company as set out in the table of this announcement;
“%”	percentage.

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

Hong Kong, March 30, 2022

As at the date of this announcement, the Board of Directors of the Company comprises Dr. Jisong Cui as Chairperson and executive Director, Dr. Renbin Zhao as executive Director, Dr. Yigong Shi, Mr. 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.