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# Innovent

信達生物製藥

**INNOVENT BIOLOGICS, INC.**

*(Incorporated in the Cayman Islands with Limited Liability)*

**(Stock Code: 1801)**

## ANNOUNCEMENT

### **RESTATEMENT OF THE FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2021**

Innovent Biologics, Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that during the preparation and finalization of the condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2022, the management of the Company identified some issues in relation to the calculation of share-based compensation expenses in prior year/period, specifically there is a discrepancy of outstanding share options and restricted shares between the financial statements and the actual balances as a result of a misunderstanding of the concept of “grant” and “forfeit” of the share options and restricted shares. Such discrepancy was mainly due to (1) certain share options and restricted shares approved by the Board to be granted to individuals were not actually granted in the end but had already been recorded in the underlying share-based payment schedule for share-based payment expenses calculation, and (2) certain forfeited share options and restricted shares were not recorded in the underlying share-based payment schedule for share-based payment expenses calculation. Due to the above, adjustments would need to be made to the interim results of the Company for the six months ended 30 June 2021 (the “**2021 Interim Results**”) and the annual results of the Company for the year ended 31 December 2021 (the “**2021 Annual Results**”).

By way of background, the aforementioned issues caused a decrease in share-based compensation expenses in relation to the share options and restricted shares. The Company has therefore made prior period adjustments (the “**Prior Period Adjustments**”) on cost of sales, research and development expenses, administrative and other expenses and selling and marketing expenses (collectively, the “**Expenses**”) for the six months period ended 30 June 2021. The Prior Period Adjustments, which has no impact to the statement of financial position, the statement of cash flow and non-International Financial Reporting Standard measures, resulted in a RMB171,752 thousand reduction of loss in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021, such restated figures have been set out in the interim results announcement and interim report for the six months ended 30 June 2022 published on 25 August 2022 and 28 September 2022, respectively.

As a result of the above, the Company has also restated its 2021 Annual Results and made prior year adjustments on the Expenses for the year ended 31 December 2021 (the “**Prior Year Adjustments**”). The Prior Year Adjustments would lead to adjustments to the Company’s 2021 Annual Results, similar to the approach adopted to reflect the impact on the 2021 Interim Results, the impact of the Prior Year Adjustments on the 2021 Annual Results is that the expenses recognized for the share options and restricted shares granted would be decreased. The Prior Year Adjustments have no impact to the statement of financial position, the statement of cash flow and non-International Financial Reporting Standard measures. The effect of the Prior Year Adjustments on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 is set out below:

	<b>Year ended December 31 2021 RMB'000 (Audited)</b>	<b>Prior Year Adjustments* RMB'000</b>	<b>Year ended December 31 2021 RMB'000 (Restated)*</b>
Revenue from contracts with customers	4,269,729	–	4,269,729
Cost of sales	<u>(573,040)</u>	<u>67,703</u>	<u>(505,337)</u>
Gross profit	<b>3,696,689</b>	<b>67,703</b>	<b>3,764,392</b>
Other income	196,881	–	196,881
Other gains and losses	(72,784)	–	(72,784)
Research and development expenses	(2,478,067)	155,554	(2,322,513)
Administrative and other expenses	(884,027)	78,017	(806,010)
Selling and marketing expenses	(2,728,166)	108,024	(2,620,142)
Royalties and other related payments	(719,077)	–	(719,077)
Finance costs	<u>(62,464)</u>	<u>–</u>	<u>(62,464)</u>
Loss before tax	<b>(3,051,015)</b>	<b>409,298</b>	<b>(2,641,717)</b>
Income tax expense	<u>(87,038)</u>	<u>–</u>	<u>(87,038)</u>
Loss for the year	<b><u>(3,138,053)</u></b>	<b><u>409,298</u></b>	<b><u>(2,728,755)</u></b>
Loss per share			
– Basic (RMB Yuan)	(2.16)	0.28	(1.88)
– Diluted (RMB Yuan)	(2.16)	0.28	(1.88)

\* The Prior Year Adjustments set out above have been reviewed by Deloitte Touche Tohmatsu and the audit committee of the Company.

Apart from the Prior Year Adjustments as disclosed above, there are no other events or incidents that have or will have an effect on the consolidated statement of profit or loss and other comprehensive income of the Company for the year ended 31 December 2021.

The Company's internal control procedures and policy for the accounting of share-based payment are under review, in particular, the Company will adopt procedures such as (i) revising standard operating process in relation to the accounting for share-based payment expenses, (ii) providing more frequent and sufficient training on related accounting knowledge to relevant staff, and (iii) adding a key management supervision to be in charge and supervise the overall administration of share-based payment to ensure the relevant statistics to be reported to finance department are accurate and up-to-date, especially on the share movements related to share options and/or restricted shares. We will continue to enhance such procedures, policy and the overall internal control to improve corporate governance and ensure the accuracy of share-based expenses recognition.

By Order of the Board  
**Innovent Biologics, Inc.**  
**Dr. De-Chao Michael Yu**  
*Chairman and Executive Director*

Hong Kong, China, November 1, 2022

*As at the date of this announcement, the Board comprises Dr. De-Chao Michael Yu as Chairman and Executive Director and Mr. Ronald Hao Xi Ede as Executive Director, and Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu, Dr. Kaixian Chen and Mr. Gary Zieziula as Independent Non-executive Directors.*