



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

2020

Interim Report





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InnoCare Pharma Limited
2020 Interim Report

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DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

“2015 Pre-IPO Incentivisation Plan”	the pre-IPO employee global share plan adopted by the Company on September 6, 2016
“2016 Pre-IPO Incentivisation Plan”	the pre-IPO employee global share plan adopted by the Company on September 6, 2016 and as amended by the resolutions in writing by the Board passed on February 5, 2018
“2018 Pre-IPO Incentivisation Plan”	the pre-IPO employee global share plan adopted by the Company on November 28, 2018
“Administrator”	the administrator of the Pre-IPO Incentivisation plans.
“Articles” or “Articles of Association”	the articles of association of the Company adopted by special resolution on October 8, 2019 with effect from the Listing Date, as amended from time to time
“ASH”	American Society of Hematology
“AUD”	Australian dollars, the lawful currency of Australia
“Audit Committee”	the audit committee of the Board
“Ba/F3”	a murine interleukin-3 dependent pro-B cell line is increasingly popular as a model system for assessing both the potency and downstream signaling of kinase oncogenes, and the ability of small-molecule kinase inhibitors to block kinase activity
“B-cell”	a type of white blood cell that differs from other lymphocytes like T-cells by the presence of the BCR on the B-cell’s outer surface. Also known as B-lymphocytes
“BCR”	B-cell receptor, a specialized receptor protein that allows a B-cell to bind to specific antigens
“Board”	the board of directors of the Company
“BTK”	Bruton’s tyrosine kinase, a human enzyme encoded by the BTK gene
“CD20”	B-lymphocyte antigen CD20, a B-cell specific cell surface molecule that is encoded by the MS4A1 gene

DEFINITIONS

“CDE”	Center for Drug Evaluation, an institution under the NMPA
“CEO” or “Chief Executive Officer”	the chief executive officer of the Company
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“Chairperson”	chairperson of the Board
“China” or “PRC”	the People’s Republic of China, which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“cholangiocarcinoma”	bile duct cancer, a type of cancer that forms in the bile ducts
“CLL”	chronic lymphocytic leukemia
“CNSL”	central nervous system lymphoma
“Company”, “our Company”, “the Company” or “InnoCare”	InnoCare Pharma Limited (Stock code: 9969), an exempted company with limited liability incorporated under the laws of the Cayman Islands on November 3, 2015, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Compensation Committee”	the compensation committee of the Board
“CYP3A4”	Cytochrome P450 3A4, is an important enzyme in the body, mainly found in the liver and in the intestine
“CYP450s”	Cytochromes P450, are a superfamily of enzymes containing heme as a cofactor that function as monooxygenases
“Director(s)”	the director(s) of the Company
“DLBCL”	diffuse large B-cell lymphoma, a common type of non-Hodgkin lymphoma that starts in lymphocytes
“DLT”	dose-limiting toxicity, side effects of a drug or other treatment that are serious enough to prevent an increase in dose or level of that treatment
“FGFR”	fibroblast growth factor receptor, membrane-spanning proteins that are a subgroup of the family of tyrosine kinase receptors

DEFINITIONS

“FL”	follicular lymphoma
“GCB”	germinal center B-cell, one of the subtypes of diffuse large B-cell lymphoma
“Global Offering”	the Hong Kong public offering and the international offering of the Shares
“GMP”	good manufacturing practice
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time
“Guangzhou Kaide”	Guangzhou Kaide Technology Development Co., Ltd. which was renamed as Guangzhou High-tech Zone Technology Holding Group Limited
“HCC”	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
“hERG”	a gene that codes for a protein known as Kv11.1, the alpha subunit of a potassium ion channel
“HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IBD”	Inflammatory bowel disease
“ICP-022” or “Orelabrutinib”	one of the Company’s clinical stage drug candidates
“ICP-105”	one of the Company’s clinical stage drug candidates
“ICP-192”	one of the Company’s clinical stage drug candidates
“IND”	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
“Innocare Nanjing”	Nanjing Tian Yin Jian Hua Pharm Tech Co., Ltd., one of the Company’s subsidiaries
“IPO”	the initial public offering of the Company on the Hong Kong Stock Exchange
“ITP”	Immune Thrombocytopenia

DEFINITIONS

“KM12”	one of the cell lines of the NCI-60 panel which represents different cancer types and has been widely utilized for drug screening and molecular target identification. KM12 is colorectal cancer cell line carrying TPM3-NTRK1 gene fusion
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	March 23, 2020, being the date on which the Shares of the Company were listed on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LMNA”	also known as Lamin A/C, is a protein that in humans is encoded by the LMNA gene. Lamin A/C belongs to the lamin family of proteins
“LN”	Lupus Nephritis
“LVC Entities”	Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP
“MCL”	mantle cell lymphoma, a type of B-cell non-Hodgkin lymphoma
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“MS”	Multiple Sclerosis
“MTD”	Maximum tolerated dose
“MZL”	marginal zone lymphoma
“NDA”	new drug application
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)

DEFINITIONS

“Nomination Committee”	the nomination committee of the Board
“NRDL”	National Reimbursement Drug List
“NTRK”	neurotrophic tyrosine receptor kinase
“OBD”	optimal biological dose, dose associated with a prespecified desired effect on a biomarker
“pan-FGFR inhibitor”	pan-inhibitor of fibroblast growth factor receptor (FGFR) family
“pan-TRK inhibitor”	pan-inhibitor of tropomyosin-related kinase family
“pharmacodynamics” or “PD”	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
“pharmacokinetics” or “PK”	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
“Pre-IPO Incentivisation Plans”	the 2015 Pre-IPO Incentivisation Plan, the 2016 Pre-IPO Incentivisation Plan and the 2018 Pre-IPO Incentivisation Plan
“Prospectus”	the prospectus of the Company, dated March 11, 2020, in relation to its Global Offering
“R&D”	research and development
“R/R” or “r/r”	relapsed and refractory
“RA”	Rheumatoid Arthritis
“Reporting Period”	the six months ended June 30, 2020
“RMB”	Renminbi, the lawful currency of the PRC
“RP2D”	Recommended phase 2 dose
“RSU(s)”	restricted share unit(s)
“SD rats”	Sprague Dawley rat, is an outbred multipurpose breed of albino rat used extensively in medical and nutritional research

DEFINITIONS

“Share(s)”	ordinary shares with a par value of US\$0.000002 per share in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SHP2”	a non-receptor protein tyrosine phosphatase involved in mediating RAS signaling pathway and immune checkpoint pathway as well for regulation of cellular proliferation and survival
“SLE”	systemic lupus erythematosus
“SLL”	small lymphocytic lymphoma
“T-cell”	a type of lymphocyte produced or processed by the thymus gland and actively participating in the immune response. T-cells can be distinguished from other lymphocytes, such as B-cells and NK cells, by the presence of a T-cell receptor on the cell surface
“TRK”	a family of tyrosine kinases that regulates synaptic strength and plasticity in the mammalian nervous system
“TRKA G595R”	TRKA kinase with a mutation of G595R, i.e. changes of amino acid at 595 from glycine (G) to arginine (R)
“TYK2”	tyrosine kinase 2
“UC” or “urothelial cancer”	urothelial cell carcinoma, a type of cancer that typically occurs in the urinary system and begins in urothelial cells
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. FDA”	the U.S. Food and Drug Administration
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“WM”	Waldenstrom’s macroglobulinemia

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Jisong Cui (*Chairperson and Chief Executive Officer*)

Dr. Renbin Zhao

Non-executive Directors

Dr. Yigong Shi
Mr. Quanhong Yuan
Mr. Shan Fu
Mr. Lijun Lin

Independent Non-executive Directors

Dr. Zemin Zhang
Ms. Lan Hu
Dr. Kaixian Chen

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 8, No. 8 Life Science Park Road
Zhongguancun Life Science Park
Changping District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

The offices of Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

COMPANY SECRETARY

Ms. Ching Man Yeung

AUTHORIZED REPRESENTATIVES

Dr. Jisong Cui
Ms. Ching Man Yeung

AUDIT COMMITTEE

Ms. Lan Hu (*chairperson*)
Dr. Zemin Zhang
Dr. Kaixian Chen

COMPENSATION COMMITTEE

Ms. Lan Hu (*chairperson*)
Dr. Jisong Cui
Dr. Zemin Zhang

NOMINATION COMMITTEE

Dr. Jisong Cui (*chairperson*)
Dr. Zemin Zhang
Dr. Kaixian Chen

STOCK CODE

9969

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPANY WEBSITE

www.innocarepharma.com

FINANCIAL HIGHLIGHTS

	As of June 30, 2020 RMB' 000	As of December 31, 2019 RMB' 000
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Cash and bank balances	4,409,823	2,291,773
Total assets	4,804,561	2,615,693
Total liabilities	1,377,666	5,563,439
Total equity	3,426,895	(2,947,746)
	For the six months ended June 30, 2020 RMB' 000	2019 RMB' 000
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS		
REVENUE	748	593
Other income and gains	50,574	51,207
Selling and distribution expenses	(7,629)	(669)
Research and development costs	(231,157)	(94,831)
Administrative expenses	(47,483)	(16,084)
Other expenses	(32,831)	(23,714)
Finance costs	(485)	(1,400)
Fair value changes of convertible redeemable preferred shares	(141,579)	(236,962)
LOSS FOR THE PERIOD	(409,842)	(321,860)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
– Basic and diluted	(RMB0.53)	(RMB1.65)

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.

Product Pipeline

In the past five years, we have built a robust pipeline that includes one asset with two NDAs submitted, accepted and granted priority review by the NMPA, two assets in Phase I/II trials, one that recently obtained IND-approval and several others at the IND enabling stage. The following chart summarizes our pipeline and the development status of each clinical stage candidate and select IND-enabling stage candidates as of August 12, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Drug	Target	Indication(s)	Worldwide Rights	Pre-clinical Development	IND	Phase I	Phase II ⁽²⁾	Phase III	NDA Filing
ICP-022/ Orelabrutinib⁽¹⁾ Clinical Stage		r/r CLL/SLL	✓					Phase III	Accepted and given priority review status 1Q 2020
		r/r MCL	✓					Phase III	Accepted and given priority review status 2Q 2020
		r/r MZL	✓						
		r/r CNSL	✓						
		r/r WM	✓					Phase III	
		1L: CLL/SLL	✓						
		r/r non-GCB DLBCL (double mutation)	✓						
		Combo w/ MIL -62 (basket)	✓						
		B-cell malignancies (basket)	✓						
		SLE	✓						
Pre-clinical Stage ⁽⁹⁾		Cholangiocarcinoma	✓						
		Urothelial cancer	✓						
	ICP-192 ⁽³⁾	pan-FGFR	✓						
		pan-FGFR (basket)	✓						
	ICP-105 ⁽⁴⁾	FGFR4	✓						
	ICP-723 ⁽⁵⁾	pan-TRK	✓						
	ICP-332 ⁽⁶⁾	TYK2	✓						
	ICP-189 ⁽⁷⁾	SHP2	✓						
	ICP-490 ⁽⁷⁾	E3 ligase	✓						
		Hematology	✓						

■ Liquid tumors ■ Solid tumors ■ Autoimmune

 Abbreviations: CLL = Chronic Lymphocytic Leukemia; SLL = Small Lymphocytic Lymphoma; MCL = Mantle Cell Lymphoma; MZL = Marginal Zone Lymphoma; CNSL = Central Nervous System Lymphoma; GCB = Germinal Center B-cell; DLBCL = Diffuse Large B-Cell Lymphoma; WM = Waldenström's Macroglobulinemia; FL = Follicular Lymphoma; SLE = Systemic Lupus Erythematosus; HCC = Hepatocellular Carcinoma.

- Notes:
- Denotes the Company's Core Product Candidate, Orelabrutinib (ICP-022).
 - For indications of r/r CLL/SLL, r/r MCL and r/r WM, the registrational trial for NDA submission is the Phase II clinical trial based on the communications with the NMPA. Confirmatory Phase III clinical trials will be required after the Company receives conditional approvals from the NMPA based on the results of these two registrational Phase I and Phase II clinical trials.
 - Phase II trials for cholangiocarcinoma and urothelial cancer have both had first-patient dosed. ICP-192 IND approved by U.S. FDA, Phase I first patient enrolled anticipated in the third quarter of 2020.
 - Phase I trial for HCC is expected to be completed in the fourth quarter of 2020.
 - IND for NTRK fusion-positive cancers received permission from the NMPA in the second quarter of 2020.
 - An IND application for autoimmune diseases to the NMPA is expected to be submitted in the first quarter of 2021.
 - IND anticipated to be submitted for ICP-189 and ICP-490 to the NMPA in the second half of 2021.
 - The Company also has four undisclosed IND-enabling stage candidates currently under development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

- **Orelabrutinib**

Orelabrutinib is a highly selective irreversible BTK inhibitor for the treatment of various B-cell malignancies and autoimmune diseases that we are currently investigating in a broad clinical program in China and globally. Given its excellent safety and efficacy profile, we believe Orelabrutinib will become a top treatment choice and an attractive partner for combination therapies.

Over 300 patients have been treated with Orelabrutinib across all our B-cell malignant cancer trials. We have submitted two NDAs to the NMPA for r/r CLL/SLL and r/r MCL, both of which have been accepted and granted priority review earlier this year. Furthermore, we have completed collection of 12-month follow up data for both indications; the results have been submitted to ASH and will be presented at the 2020 ASH annual meeting.

To optimize Orelabrutinib's market potential, we are progressing Orelabrutinib through three other monotherapy Phase II trials for r/r MZL, r/r CNSL and r/r WM. The current Phase II trial of WM has been endorsed as a registrational trial by the CDE with enrollment expected to be completed in the fourth quarter of 2020. Additionally, we have completed first patient recruitment in a combinational basket trial with MIL-62, a next generation CD20 antibody. Furthermore, we have received approval from the NMPA to initiate a Phase III trial of Orelabrutinib as a first-line treatment for CLL/SLL. We have also initiated a Phase II study of Orelabrutinib in patients with r/r non-GCB DLBCL sub-population with double mutations, with the first patient enrolled in the second quarter of 2020.

In the U.S., we are conducting a Phase I basket trial for B-cell malignancies, which is anticipated to be completed by the end of the year. We are currently in the process of amending the protocol to rapidly initiate Phase II.

Because of Orelabrutinib's excellent target selectivity and superior safety profile, we are also evaluating it as a novel therapy for the treatment of SLE and other autoimmune diseases. We are conducting a Phase IIa trial for SLE and enrolled the first patient already.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ORELABRUTINIB SUCCESSFULLY.

- **ICP-192**

ICP-192 is a potent and highly selective pan-FGFR inhibitor that we are developing for the treatment of various types of solid tumors. Studies have shown that mutations and aberrant activation of FGFRs have been implicated with the development of various cancers, including bile duct, breast, lung, head and neck, gastric and urothelial cancers, accounting for approximately 7.1% of solid tumors. As ICP-192 is currently one of the most advanced clinical stage pan-FGFR inhibitors being developed in China, we believe we are well-positioned to capitalize this market opportunity.

MANAGEMENT DISCUSSION AND ANALYSIS

We have completed a Phase I dose escalation study to define its OBD and PK/PD profiles in patients with solid tumors. Two patients with FGFR gene aberrations achieved partial responses and two patients with FGFR gene aberrations achieved stable disease in the dose escalation study. We have initiated two Phase II studies targeting at cholangiocarcinoma and urothelial cancers, two indications with high incidence of FGFR aberrations and significant market opportunity in China and worldwide. We have completed first patient dosing for both cholangiocarcinoma and urothelial cancers in the first half of 2020. In the U.S., IND was approved in April 2020 and first patient enrollment is anticipated in the third quarter of 2020.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ICP-192 SUCCESSFULLY.

- **ICP-105**

ICP-105 is a potential first-in-class, potent and selective FGFR4 inhibitor that we are developing for the treatment of advanced HCC with FGFR4 pathway overactivation. HCC, one of the most lethal cancers, is especially prevalent in China, accounting for nearly 50% of all new cases globally. While several FGFR4 inhibitors are under clinical development, there are currently no marketed FGFR4 inhibitors globally.

ICP-105 has the potential to become a promising therapy for HCC and is currently in Phase I dose escalation study to determine its safety, tolerability and PK/PD. We expect the dose escalation trial to be completed in the fourth quarter of 2020.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ICP-105 SUCCESSFULLY.

- **ICP-723**

ICP-723 is a second-generation small molecule pan-TRK inhibitor designed to treat patients with NTRK gene fusion-positive cancers who were TRK inhibitor treatment-naïve or who have developed resistance to the first generation TRK inhibitors, regardless of cancer types. The IND application for ICP-723 was approved by the NMPA in May 2020, and we are currently initiating clinical trials in China to assess the safety, tolerability and PK of ICP-723 in advanced solid tumors and to evaluate the preliminary anti-tumor activity of ICP-723 in NTRK fusion-positive cancers.

Mechanism of Action

The TRK family consists of 3 proteins referred to as TRKA, TRKB and TRKC, which are encoded by neurotrophic receptor tyrosine kinase genes NTRK1, NTRK2 and NTRK3, respectively. TRKs play an important role in maintaining normal nervous system function. Unwanted joining of separated NTRK genes, or NTRK gene fusions, have been found to contribute to tumorigenesis in a variety of different cancers, with high prevalence in infantile fibrosarcoma, salivary gland carcinomas and thyroid carcinoma. NTRK fusions have also been detected at lower frequencies, in soft-tissue sarcomas, thyroid cancer, mammary analogue secretory carcinoma of salivary glands, lung cancer, colorectal cancer, melanoma, breast cancer, etc. ICP-723 is a highly potent and selective TRK kinase inhibitor designed to overcome the acquired resistance to prior TRK inhibition.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Pre-Clinical Data

ICP-723 is a second-generation pan-TRK inhibitor with superior selectivity and safety profile based on the data of nonclinical research. In vitro biochemical assay showed that ICP-723 markedly inhibited the activity of the wild type TRKA/B/C as well as mutant TRKA with resistant mutation G595R or G667C. Kinase selectivity profiling of ICP-723 at 100 nM against a panel of 468 kinases in the KINOMEscan kinase screening platform (DiscoverX) demonstrated high selectivity of ICP-723 for TRKA/B/C with 100% inhibition and that only three other kinases (ROS1/-JAK3/CASK) were inhibited at >90%. In cellular assay, ICP-723 exerted strong and selective antiproliferation activity in KM12 cells carrying TPM3-NTRK1 fusion and in Ba/F3 cells carrying LMNA-TRKA fusion and resistant mutation G595R. In the in-vivo pharmacology studies, ICP-723 exhibited potent and dose-dependent anti-tumor activity in KM12 xenograft and Ba/F3 LMNA-NTRK1 G595R allograft models. ICP-723 at 0.3 mg/kg BID achieved >80% tumor growth inhibition in KM12 model.

In vitro permeability studies using Caco-2 cells showed that ICP-723 is a moderately permeable compound. ICP-723 was well absorbed after a single oral administration and no significant accumulation was observed in rats and dogs after 7-day repeat dosing. ICP-723 had a moderate to high binding affinity with human plasma protein. ICP-723 was predominantly metabolized by CYP3A4 and mainly excreted from feces as metabolites. ICP-723 had no significant inhibitory or inductive activities on the major CYP450s at predicted therapeutic plasma exposure.

After a single dose, ICP-723 exerted no effect on the central nervous system and respiratory function of SD rats or on the cardiovascular system of Beagle dogs at the highest dose levels tested in the safety pharmacology studies. ICP-723 had no significant inhibition against hERG potassium channel with IC50 > 50 μ M. The 4-week toxicology studies in SD rats and Beagle dogs revealed the toxicities which were generally consistent with the findings from other TRK inhibitors, and were reversible after dosing ceased. Most of the toxic findings were associated with the on-target effects of TRK inhibition and considered to be an exaggerated pharmacological effect of ICP-723.

In summary, ICP-723 is a second-generation small molecule pan-TRK inhibitor with high selectivity and favorable safety profile, which could overcome acquired resistance to the first generation TRK inhibitor.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ICP-723 SUCCESSFULLY.

MANAGEMENT DISCUSSION AND ANALYSIS

IND Stage Drug Candidates

- *ICP-332*

ICP-332 is a small-molecule inhibitor of TYK2 that we are developing for the treatment of various T-cell mediated autoimmune disorders. We plan to submit the IND application to NMPA early next year.

- *ICP-189*

ICP-189 is a potent oral allosteric inhibitor of SHP2 with excellent selectivity over other phosphatases. It is being developed for the treatment of solid tumors as a single agent and/or in combinations with other antitumor agents. SHP2 is a non-receptor protein tyrosine phosphatase involved in mediating RAS signaling pathway and immune checkpoint pathway for regulation of cellular proliferation and survival. We plan to submit the IND application for ICP-189 to the NMPA in the second half of 2021.

- *ICP-490*

ICP-490 is a proprietary, orally available small molecule that modulates the immune system and other biological targets through multiple mechanisms of action. By specifically binding to CRL4^{CRBN}-E3 ligase complex, it induces ubiquitination and degradation of transcription factors including Ikaros and Aiolos.

Clinically, ICP-490 may be used for the treatment of patients with relapsed/refractory multiple myeloma, DLBCL and autoimmune diseases such as systemic lupus erythematosus. We plan to submit the IND application for ICP-490 to the NMPA in the second half of 2021.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET PRE-CLINICAL DRUG CANDIDATES SUCCESSFULLY.

Manufacturing and Commercialization

In anticipation of the market launch of Orelabrutinib and other potential drug candidates, we are building our in-house manufacturing facilities and commercialization capabilities. Our 50,000 m² Guangzhou manufacturing facility will have an annual production capacity of one billion pills and is designed to comply with GMP requirements of the U.S., Europe, Japan and China. We plan to obtain a manufacturing license for the facility in the second half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

We have developed our commercialization strategy in a staggered approach corresponding with the launch timeline of Orelabrutinib and the clinical and regulatory approval status of our other drug candidates. By Orelabrutinib's NDA approval, we expect to have a sales and marketing team of 120 to 140 personnel covering over 300 nationally leading oncology hospitals. Should Orelabrutinib be included in the NRDL, we will expand the commercialization team to 200 personnel covering over 800 top hospitals. We expect our commercialization team to cover a majority of provinces and municipalities in China and support the promotion of our other pre-clinical and clinical stage drug candidates after launch.

During the past few months since the listing of our Shares on the Stock Exchange, we have significantly grown our commercialization team. Our team currently includes key functional heads for sales, marketing, medical affairs, market access and, distribution and customer management. All the functional heads report to our new Chief Commercial Officer, Mr. Jin Xiaodong, who has over 20 years of experience in commercialization management with global pharmaceutical companies. Under this unit, the company will boldly expand our commercialization presence across China and will be ready for our first product Orelabrutinib launch. As of August 12, 2020, we had over 40 sales and marketing personnel on board.

Future Development

To accomplish our vision of becoming a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide, we will focus on pursuing the following aspects:

Develop, commercialize and expand Orelabrutinib in B-cell malignancies

We have initiated a broad clinical program for Orelabrutinib in various B-cell malignancies in China. We expect our commercialization team to be fully operational by the fourth quarter of 2020, in line with the anticipated NDA approval of Orelabrutinib for CLL/SLL and MCL. Additionally, we will continue our efforts to advance Orelabrutinib through various Phase II clinical trials for other B-cell malignancies, including MZL, CNSL, WM and non-GCB DLBCL sub-population with double mutations in China. Furthermore, we will begin patient recruitment for a Phase III trial of Orelabrutinib as a first-line treatment of CLL/SLL in China.

We will continue to advance clinical development of Orelabrutinib in the U.S. and will actively seek ex-China partnerships opportunities to maximize the commercial value of Orelabrutinib globally.

We will continue to progress Orelabrutinib through the combinational basket trial with MIL-62. We intend to further identify and develop promising combination therapies to leverage Orelabrutinib's safety profile demonstrated by clinical data.

Continue the development of ICP-192 and ICP-105 for solid tumors in China and worldwide

We plan to develop ICP-192, a pan-FGFR inhibitor, for the treatment of various types of solid tumors. We will continue to advance ICP-192 through Phase II clinical trials for cholangiocarcinoma and urothelial cancers in order to further evaluate its safety and efficacy and to define its registration path. In the U.S., we have received IND approval from the U.S. FDA and are initiating Phase I clinical trial.

We plan to develop ICP-105, a FGFR4 inhibitor, for the treatment of advanced HCC with FGFR4 pathway overactivation. We will continue to advance ICP-105 through clinical trials in China for the treatment of HCC with FGFR4 pathway overactivation.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, we plan to explore ICP-192 and/or ICP-105 in combination with immune checkpoint inhibitors and other agents to treat solid tumors with FGFR aberrations. Depending on the results of these clinical trials, we intend to expand our clinical development efforts into additional solid tumor indications such as gastric and liver cancers.

Based on clinical trial results in China, we plan to expand the clinical development of ICP-192 and ICP-105 globally by focusing on promising indications and may seek global partnerships as well. In the U.S., the IND for ICP-192 was approved in April 2020 and first patient enrollment is anticipated in the third quarter of 2020.

Develop ICP-723 for solid tumors in China and worldwide

We plan to initiate an open-label Phase I/II study to evaluate the safety, tolerability, PK and preliminary efficacy of ICP-723 for the treatment of advanced solid tumors with NTRK gene fusion. Phase I will be a dose escalation study to evaluate the safety, tolerability and PK of ICP-723 and to determine the DLT, MTD, and RP2D and Phase II will be a dose expansion portion to evaluate the efficacy and safety of ICP-723 in the treatment of NTRK gene fusion-positive cancers with or without prior treatment with the first generation of TRK inhibitors.

We expect to enroll the first patient in the fourth quarter of 2020. We are also considering initiating clinical trials in the U.S. to further explore its market and therapeutic potential.

Develop Orelabrutinib and other potential candidates for autoimmune diseases

Having recognized the significant market potential in autoimmune diseases and Orelabrutinib's favorable safety profile, we are developing Orelabrutinib as a novel therapy for the treatment of autoimmune diseases.

We are exploring Orelabrutinib through Phase IIa trials to identify the optimal dosing regimen and evaluate the safety, tolerability and biomarker readout for the treatment of SLE. After the optimal dosing regimen is identified, we plan to initiate subsequent clinical studies for other autoimmune diseases, such as ITP, LN, pemphigus, MS and RA. Following the results of the study, we may expand our clinical trials globally.

In addition to Orelabrutinib, we are exploring the possibility of treating autoimmune diseases induced by T-cell dysfunctions with other potential candidates. We are developing ICP-332, a TYK2 inhibitor, for the treatment of various T-cell mediated autoimmune diseases, such as psoriasis, IBD and SLE. With both Orelabrutinib as a B-cell pathway regulator and ICP-332 as a T-cell pathway regulator in hand, we believe we are well-positioned to provide oral drug solutions for the substantial unmet medical needs in autoimmune diseases.

Expand our pipeline through in-house discovery and business development efforts

We will continue to develop the seven drug candidates that are currently at IND-enabling stage.

To further enhance our pipeline and optimize our operational efficiency, we will actively pursue in-licensing opportunities that will complement our existing portfolio. A strong emphasis will be placed on licensing assets that allow us to fully leverage and capitalize our commercial and manufacturing platform, and those that have potential synergies with our current pipeline for combination therapies.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

	For the six months ended June 30,		2019	
	2020	%	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(RMB in thousands, except percentages)				
Revenue from continuing operations				
Research and development services	748	100	593	100

Our revenue increased by 17% from RMB0.6 million for the six months ended June 30, 2019 to RMB0.7 million for the six months ended June 30, 2020, which was primarily attributable to research and development services provided to a third party by InnoCare Nanjing. As our pipeline drug candidates, including Orelabrutinib, are expected to launch into the market in the near future upon approval, our sources of revenue are expected to become more diversified.

Gross Profit and Gross Profit Margin

	For the six months ended June 30,		2019	
	2020	%	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(RMB in thousands, except percentages)				
Research and development services	748	100	593	100

As a result of the foregoing, our gross profit increased from RMB0.6 million for the six months ended June 30, 2019 to RMB0.7 million for the six months ended June 30, 2020.

Other Income and Gains

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
(RMB in thousands)		
Government grants	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	–
Total	50,574	51,207

MANAGEMENT DISCUSSION AND ANALYSIS

Our government grant decreased by 65% from RMB16.2 million for the six months ended June 30, 2019 to RMB5.7 million for the six months ended June 30, 2020. There are no unfulfilled conditions related to these government grants. Our bank interest income increased by 49% from RMB26.9 million to RMB40.1 million which was primarily attributable to the fund raised from IPO.

USD appreciation resulted in the foreign exchange gain of RMB3.5 million for the six months ended June 30, 2020.

Research and Development Costs

	For the six months ended June 30, 2020 (Unaudited)	2019 (Unaudited)
	(RMB in thousands)	
Employee cost	32,222	18,222
Share-based compensation	152,900	30,860
Third party contracting cost	9,144	14,584
Direct clinical trial expenses	20,469	16,898
Depreciation and amortisation	2,718	2,368
Others	13,704	11,899
Total	231,157	94,831

Our research and development costs increased by 144% from RMB94.8 million for the six months ended June 30, 2019 to RMB231.2 million for the six months ended June 30, 2020, primarily due to the expansion of our clinical trials and the increase in share-based compensation. Such increase in R&D costs resulted from the following:

- RMB14.0 million increase of R&D employees cost from RMB18.2 million to RMB32.2 million;
- RMB5.5 million decrease of third party contracting cost from RMB14.6 million to RMB9.1 million;
- RMB3.6 million increase of direct clinical trial expenses from RMB16.9 million to RMB20.5 million.

Administrative Expenses

Our administrative expenses increased by 195% from RMB16.1 million for the six months ended June 30, 2019 to RMB47.5 million for the six months ended June 30, 2020, primarily attributable to (i) an increase in employee cost of our administrative personnel from RMB7.3 million to RMB13.0 million; (ii) an increase in listing expense from nil to RMB20.4 million; and (iii) an increase in others expenses mainly from daily operation expenses from RMB3.0 million to RMB5.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Employee cost	13,008	7,287
Depreciation and amortisation	2,377	2,335
Professional fees	2,180	2,314
Listing expense	20,370	–
Share-based compensation	4,381	1,196
Others	5,167	2,952
Total	47,483	16,084

Other Expenses

Our other expenses increased by 38% from RMB23.7 million for the six months ended June 30, 2019 to RMB32.8 million for the six months ended June 30, 2020, primarily due to the increase of RMB8.2 million of fair value changes of the convertible loan with Guangzhou Kaide from RMB23.6 million to RMB31.8 million.

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Non-operating expenses	1,000	1
Foreign exchange losses	–	155
Fair value changes of convertible loan	31,831	23,558
Total	32,831	23,714

Selling and Distribution Expenses

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	(RMB in thousands)	
Employee cost	3,546	106
Share-based compensation	2,696	558
Market research and market promotion	1,008	–
Others	379	5
Total	7,629	669

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses increased by 986% 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.

Analysis of Key Items of Financial Position

Net Current Assets

The following table sets forth our current assets and current liabilities as of the dates indicated:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	(RMB in thousands)	
CURRENT ASSETS		
Trade receivables	58	37
Prepayments, other receivables and other assets	61,515	36,590
Investments measured at fair value through profit or loss	30,137	80,347
Cash and bank balances	4,409,823	2,291,773
Total current assets	4,501,533	2,408,747
CURRENT LIABILITIES		
Trade payables	9,532	8,197
Other payables and accruals	50,510	41,528
Deferred income	645	645
Lease liabilities	5,506	6,204
Loans from a related party	–	9,098
Total current liabilities	66,193	65,672
NET CURRENT ASSETS	4,435,340	2,343,075
TOTAL ASSETS LESS CURRENT LIABILITIES	4,738,368	2,550,021

We had net current assets of RMB4,435.3 million as of June 30, 2020, which was primarily attributable to our cash and bank balances of RMB4,409.8 million and investments measured at fair value through profit or loss of RMB30.1 million, partially offset by other payables and accruals of RMB50.5 million.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets increased from RMB36.6 million as of December 31, 2019 to RMB61.5 million as of June 30, 2020, primarily due to (i) RMB14.3 million increase in value-added tax recoverable from RMB13.8 million as of December 31, 2019 to RMB28.1 million as of June 30, 2020; (ii) RMB11.7 million increase in interest receivable from RMB7.6 million as of December 31, 2019 to RMB19.3 million as of June 30, 2020; and (iii) RMB1.3 million decrease in prepayments from RMB13.2 million as of December 31, 2019 to RMB11.9 million as of June 30, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments Measured at Fair Value through Profit or Loss

The investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected yield rates ranging from 3.48% to 3.58% per annum for the six months ended June 30, 2020 (for the year ended December 31, 2019: 3.57% to 3.81%). The yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

The fair values are based on cash flows discounted using the expected yield rate based on management judgement and are within level 2 of the fair value hierarchy.

Bank Loans and Borrowings

As of June 30, 2020, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilised banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Convertible Loan

As of June 30, 2020, the balance of convertible loan amounted to RMB1,149.0 million (as of December 31, 2019: RMB 1,117.2 million). In 2018, Guangzhou Kaide provided Guangzhou InnoCare Pharma Tech Co., Ltd. with a convertible loan amounting to RMB930 million, which bears interest at 6.5% per annum and will be due on December 31, 2024, with an option to convert the loan into ordinary shares of Guangzhou InnoCare Pharma Tech Co., Ltd. under certain conditions.

Other Payables and Accruals

Our other payables and accruals increased from RMB41.5 million as of December 31, 2019 to RMB50.5 million as of June 30, 2020, primarily due to (i) an increase in construction progress payable from RMB16.1 million as of December 31, 2019 to RMB20.4 million as of June 30, 2020; (ii) an increase in IPO related service payables to intermediaries from RMB14.7 million as of December 31, 2019 to RMB22.4 million as of June 30, 2020.

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	(RMB in thousands)	
Payroll payables	6,710	9,543
IPO related service payables	22,380	14,672
Construction progress payable	20,441	16,106
Others	979	1,207
Total	50,510	41,528

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

The following table sets forth the breakdown of our loans and borrowings from third parties as of the dates indicated:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
(RMB in thousands)		
Included in current liabilities		
Lease liabilities	5,506	6,204
Included in non-current liabilities		
Lease liabilities	1,510	3,394
Total indebtedness	7,016	9,598

We have applied IFRS 16 and recognized lease liabilities. As of June 30, 2020, our lease liabilities amounted to RMB7.0 million, compared with RMB9.6 million as of December 31, 2019.

Key Financial Ratios

The following table sets forth our selected key financial ratio:

	June 30, 2020	December 31, 2019
Current ratio	68.0	36.7

Current ratio equals current assets divided by current liabilities as of the end of the financial period.

The increase in current ratio was primarily due to the increase of IPO fund raising and bank balances from RMB2,291.8 million as of December 31, 2019 to RMB4,409.8 million as of June 30, 2020 partially offset by a decrease in investments measured at fair value through profit or loss from RMB80.3 million as of December 31, 2019 to RMB30.1 million as of June 30, 2020.

Other Financial Information

Significant Investments, Material Acquisitions and Disposals

As of June 30, 2020, we did not hold any significant investments. For the six months ended June 30, 2020, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

We expect our liquidity requirements will be satisfied by a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds from the IPO.

We currently do not have any plan for material additional external debt or equity financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

As of June 30, 2020, our cash and bank balances were RMB4,409.8 million, as compared to RMB2,291.8 million as of December 31, 2019. The increase was mainly due to the fund raised from the IPO in Hong Kong. Our cash is primarily used to provide funding for research and development of new drug candidates, working capital and other general corporate purposes. Our cash and cash equivalents are held in USD, RMB, HKD and AUD.

On March 23, 2020, 250,324,000 Shares of US\$0.000002 each were issued at a price of HK\$8.95 per Share in connection with the Company's listing on the Hong Kong Stock Exchange. The proceeds of HK\$3,883 representing the par value of shares, were credited to the Company's share capital. The remaining proceeds of HK\$2,240.4 million (before deduction of the expenses relating to the Company's IPO) were credited to the share premium account. The translation from U.S. dollar to Hong Kong dollar is made at the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve System of the United States as of March 23, 2020.

On April 15, 2020, the international underwriters of the Global Offering exercised the over-allotment option in full, pursuant to which the Company is required to allot and issue the option shares, being 37,548,000 Shares, representing approximately 15% of the maximum number of shares initially available under the Global Offering, at the offer price under the Global Offering. The net proceeds from the exercise of the over-allotment option were approximately HK\$322.59 million (after deducting the commissions and other offering expenses payable by the Company in relation to the exercise of the over-allotment option).

GEARING RATIO

The gearing ratio (calculated as total debt (which includes loans and borrowings, loans from a related party, and convertible loan) divided by total assets and multiplied by 100%) as of June 30, 2020 was 24% comparing to 43% as of December 31, 2019, as the current asset increased significantly as of June 30, 2020 for the reason of IPO fund raising.

The Board and the Audit Committee constantly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash to meet its liquidity needs in the short and long term.

CONTINGENT LIABILITIES

As of June 30, 2020, we did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents, time deposits, other receivables and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

LIQUIDITY RISK

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by its management to finance the operations and mitigate the effects of fluctuations in cash flows.

PLEDGE OF ASSETS/CHARGE ON ASSETS

There was no pledge of the Group's assets as of June 30, 2020.

EMPLOYEES AND REMUNERATION

As of June 30, 2020, the Group had a total of 287 employees. The following table sets forth the total number of employees by function as of June 30, 2020:

	Number of employees	% of total
Function		
Research and development	173	60.3%
Manufacturing	46	16.0%
Selling and marketing	19	6.6%
General and administrative	49	17.1%
Total	287	100%

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have 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 our employees.

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

There are no changes in the information of Directors and chief executives of the Company since the Listing Date to June 30, 2020, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules. During the period from the Listing Date to June 30, 2020, the Board is of the opinion that the Company has complied with all the code provisions apart from the deviation below.

The roles of the Chairperson and Chief Executive Officer of the Company are held by Dr. Jisong Cui who is a co-founder of the Company. The Board believes that this structure will not impair the balance of power and authority between our Board and the management of the Company, given that: (i) a decision to be made by the Board requires approvals by at least a majority of Directors and that the Board comprises three Independent Non-executive Directors out of nine Directors, and the Board believes there is sufficient check and balance in the Board; (ii) Dr. Jisong Cui and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefits and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. The Board also believes that the combined role of Chairperson and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Further, in view of Dr. Jisong Cui's experience, personal profile and her roles in the Company as mentioned above, Dr. Jisong Cui is the Director best suited to identify strategic opportunities and focus of the Board due to her extensive understanding of our business as the Chief Executive Officer. Finally, as Dr. Jisong Cui is the co-founder of the Company, the Board believes that vesting the roles of both Chairperson 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 and communication within the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairperson and Chief Executive Officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made of all the Directors and they have confirmed that they have complied with the Model Code throughout the period from the Listing Date to June 30, 2020.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the period from the Listing Date to June 30, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the period from the Listing Date to June 30, 2020.

USE OF NET PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO and the exercise of over-allotment option of approximately HK\$2,415.67 million. Up to June 30, 2020, such proceeds have not been utilized. The Company intends to use the net proceeds in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The proceeds will be used in the following two to three years from the IPO. The completion time of using such proceeds will be determined based on the Company's actual business needs and future business development.

Business objective as stated in the Prospectus	% of total proceeds	Utilized	Unutilized	Net proceeds from the IPO HK\$ million	Expected timeline
		proceeds up to the date of this interim report HK\$ million	proceeds up to the date of this interim report HK\$ million		
The R&D and commercialization of Orelabrutinib	50%	-	1,207.82	1,207.82	The amount is expected to be fully utilized by the second half of 2023
The R&D of the other drug candidates in the clinical trials	25%	-	603.92	603.92	The amount is expected to be fully utilized by the second half of 2023
The R&D and filing expenses for other pre-clinical assets at the IND-enabling stage	4.5%	-	108.71	108.71	The amount is expected to be fully utilized by the second half of 2023
Pursuit of strategic collaborations	10.5%	-	253.65	253.65	The amount is expected to be fully utilized by the second half of 2023
Working capital and general business purpose	10%	-	241.57	241.57	The amount is expected to be fully utilized by the second half of 2023
Total	100%		2,415.67	2,415.67	

REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely Ernst & Young, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results and interim report for the six months ended June 30, 2020) of the Group. The Audit Committee considered that the interim results and interim report are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as of June 30, 2020, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Company's Shares

Name of Director or CEO	Nature of interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest ⁽¹⁾
Dr. Jisong Cui	Interest in controlled corporation, beneficial owner	114,129,916 ⁽²⁾	8.85%
Dr. Renbin Zhao	Interest in controlled corporation, beneficial owner	155,574,893 ⁽³⁾	12.07%
Dr. Yigong Shi	Immediate family of a beneficial owner	155,574,893 ⁽⁴⁾	12.07%
Mr. Quanhong Yuan	Interest in controlled corporation	7,631,000 ⁽⁵⁾	0.59%
Mr. Lijun Lin	Interest in controlled corporation	124,727,447 ⁽⁶⁾	9.68%
Dr. Zemin Zhang	Beneficial owner	11,111,111 ⁽⁷⁾	0.86%

Notes:

- (1) The calculation is based on the total number of 1,289,165,235 Shares issued as of June 30, 2020.
- (2) Includes (1) 94,129,916 Shares indirectly held by Dr. Jisong Cui through Sunland BioMed Ltd as beneficial owner and (2) 20,000,000 Shares directly held by Dr. Jisong Cui.
- (3) Includes (1) 108,260,375 Shares indirectly held by Dr. Renbin Zhao through Sunny View Holdings Limited as beneficial owner, (2) deemed interest in 27,778,300 Shares held through Wellesley Hill Holdings Limited which in turn is owned by Dr. Renbin Zhao's children whom are under 18 years of age and (3) 19,536,218 Shares directly held by Dr. Renbin Zhao.
- (4) Dr. Yigong Shi does not hold any legal or beneficial interest in the share capital of the Company; however, solely pursuant to Part XV of the SFO, Dr. Yigong Shi is deemed to be interested in the same number of Shares interested by his spouse, Dr. Renbin Zhao.
- (5) Mr. Quanhong Yuan indirectly held 7,631,000 Shares through Hankang Biotech Fund I, L.P.
- (6) Includes 120,911,447 Shares held indirectly through the LVC Entities, and approximately 3,816,000 Shares held by Golden Valley Global Limited.
- (7) Includes (1) 7,777,778 Shares held directly by Dr. Zemin Zhang and (2) his entitlement to RSUs equivalent to 3,333,333 Shares, subject to vesting conditions.

Save as disclosed above, as of June 30, 2020, none of the Directors or chief executives of the Company had or was deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2020, to the best of the knowledge of the Company and the Directors, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

Interests in the Shares and Underlying Shares of the Company

Name of Shareholder	Nature of Interest	Total number of shares/ underlying shares	Approximate Percentage of Shareholding Interest ⁽¹⁾
TMF (Cayman) Ltd.	Interest in controlled corporation	136,509,788 ⁽²⁾	10.59%
GIC Private Limited	Interest in controlled corporation	119,404,645 ⁽³⁾	9.26%
Vivo Capital VIII, LLC	Interest in controlled corporation	104,133,118 ⁽⁴⁾	8.08%
LVC Entities	Interest in controlled corporation	124,727,447 ⁽⁵⁾	9.68%
Mr. Hebert Pang Kee Chan	Interest in controlled corporation	161,444,332 ⁽⁶⁾	12.52%

Notes:

- (1) The calculation is based on the total number of 1,289,165,235 Shares issued as of June 30, 2020.
- (2) Golden Autumn Group Limited held 74,161,525 Shares and Strausberg Group Limited held 62,348,263 Shares. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust, TMF (Cayman) Ltd., incorporated for the purpose of holding Shares pursuant to the Pre-IPO Incentivisation Plans. As such, under the SFO, each of Lakeview Trust and Summit Trust (through their interest in controlled corporation) and TMF (Cayman) Ltd. (through capacity as trustee), are deemed to be interested in 74,161,525, 62,348,263 and 136,509,788 Shares, respectively.
- (3) Highbury Investment Pte Ltd directly held 56,859,355 Shares. For the purpose of the SFO, Highbury Investment Pte Ltd is also deemed to have an interest in 45,487,484 Shares held by Loyal Valley Capital Advantage Fund II LP and 17,057,806 Shares held by LVC Lion Fund LP as a limited partner with over one-third limited partnership interests in both Loyal Capital Advantage Fund II LP and LVC Lion Fund LP, respectively. To the best knowledge of the Company, Highbury Investment Pte Ltd is a private limited company incorporated in Singapore owned by GIC (Ventures) Private Limited and managed by GIC Special Investments Private Limited, which in turn is wholly-owned by GIC Private Limited. As such, under the SFO, each of GIC (Ventures) Private Limited, GIC Special Investments Private Limited and GIC Private Limited (through their interest in a controlled corporation) is deemed to be interested in the 119,404,645 Shares which Highbury Investment Pte Ltd has an interest in.

OTHER INFORMATION

- (4) (i) Vivo Capital Fund VIII, L.P. held 74,733,339 Shares, and (ii) Vivo Capital Surplus Fund VIII, L.P. held 10,319,779 Shares. Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P. and Vivo Opportunity Fund, L.P. (collectively, the **"Vivo Funds"**) held 19,080,000 Shares. Vivo Capital VIII, LLC is the general partner of each of Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., and Vivo Opportunity, LLC is the general partner of Vivo Opportunity Fund, L.P.. To the best knowledge of the Company, each of Vivo Capital is controlled by their general partner, Vivo Capital VIII, LLC, which is in turn managed by its management company, Vivo Capital LLC. As such, under the SFO, Vivo Capital VIII, LLC (through its interest in a controlled corporation) is deemed to be interested in the 104,133,118 Shares collectively held by Vivo Capital.
- (5) The LVC Entities directly and collectively held 120,911,447 Shares. Golden Valley Global Limited is a close associate of the LVC Entities, which held 3,816,000 Shares. For the purpose of the SFO, (i) Prosperous Wealth Global Limited is deemed to have an interest in 58,366,157 Shares held by Loyal Valley Capital Advantage Fund LP as a limited partner with over one-third limited partnership interests; (ii) as the general partner of Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund Limited is deemed to have an interest in 58,366,157 Shares; (iii) as the general partner of Loyal Valley Capital Advantage Fund II LP, Loyal Valley Capital Advantage Fund II Limited is deemed to have an interest in 45,487,484 Shares; and (iv) as the general partner of LVC Lion Fund Limited, LVC Lion Fund Limited is deemed to have an interest in 17,057,806 Shares (through their interest in a controlled corporation). To the best knowledge of the Company, each of the general partners is in turn controlled by LVC Holdings Limited, which is in turn held by LVC Innovate Limited, which is in turn controlled by Jovial Champion Investments Limited. The Lin Family Trust through its trustee, Vistra Trust (Singapore) Pte. Limited, controls Jovial Champion Investments Limited. The LVC Entities are ultimately controlled by Mr. Lijun Lin, one of our Non-executive Directors, through the Lin Family Trust. As such, under the SFO, each of LVC Holdings Limited, LVC Innovate Limited, Jovial Champion Investments Limited and The Lin Family Trust (through their interest in a controlled corporation), Vistra Trust (Singapore) Pte. Limited (through capacity as trustee) and Mr. Lijun Lin (through his interest in a controlled corporation) is deemed to be interested in the 124,727,447 Shares Pte. collectively held by the LVC Entities.
- (6) Mr. Hebert Pang Kee Chan indirectly held 161,444,332 Shares consisting of 55,500,000 Shares held through Success Growth Limited, 104,807,145 Shares held through King Bridge Investments Limited and 1,137,187 Shares held through Sun Bridge Holdings Limited. Success Growth Limited directly held 55,500,000 Shares. To the best knowledge of the Company, Success Growth Limited and King Bridge Investments Limited is directly and wholly owned by Mr. Hebert Pang Kee Chan, and Mr. Hebert Pang Kee Chan holds Sun Bridge Holdings Limited indirectly through Golden Sage Investments Limited.

Save as disclosed above, as of June 30, 2020, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PRE-IPO INCENTIVISATION PLANS

The 2015 Pre-IPO Incentivisation Plan and the 2016 Pre-IPO Incentivisation Plan were adopted and approved by resolutions in writing by the Board and the Shareholders on September 6, 2016. The 2016 Pre-IPO Incentivisation Plan was subsequently amended by resolutions in writing by the Board and Shareholders passed on February 5, 2018. The 2018 Pre-IPO Incentivisation Plan was adopted and approved by resolutions in writing by the Board and the Shareholders on November 28, 2018. The terms of each of the Pre-IPO Incentivisation Plans are substantially similar.

The Pre-IPO Incentivisation Plans shall be subject to the administration of the Board or a committee appointed by the Board. Each award granted under the Pre-IPO Incentivisation Plans shall be evidenced by an award agreement between the Company and a participant, the form of which shall be approved from time to time by the Administrator.

The Pre-IPO Incentivisation Plans provides for awards of options, share purchase rights and RSUs.

1. **Options.** On and subject to the Pre-IPO Incentivisation Plans, the Administrator shall be entitled to make an offer to any eligible participant to take up options in respect of such number of Shares as the Administrator may determine and at the exercise price determined by the Administrator in its sole discretion and disclosed under the award agreement. An option shall be deemed exercised when the Company receives (i) notice in writing from the eligible participant to the Company in the specified form under the award agreement; (ii) full payment for the Shares with respect to which the option is exercised, together with any applicable tax withholding; and (iii) all representations, indemnifications and documents requested by the Administrator.
2. **Share Purchase Rights.** On and subject to the Pre-IPO Incentivisation Plans, each share purchase right shall be evidenced by an award agreement. The purchase price and exercise price (as the case may be) shall be determined by the Administrator in its sole discretion and any Shares awarded or sold pursuant to the share purchase rights shall be subject to such forfeiture conditions, rights of repurchase or redemption, rights of first refusal and other transfer restrictions as the Administrator may determine or as provided in the memorandum of association of the Company and the Articles of Association.
3. **RSUs.** A RSU may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

Pursuant to the Pre-IPO Incentivisation Plans, the maximum number of Shares in respect of which awards may be granted shall not exceed 274,586,514 Shares which represents approximately 21.3% of the total issued share capital of the Company as of April 22, 2020, being the completion date of the exercise of the over-allotment option described in the Prospectus. As of June 30, 2020, an aggregate of 138,076,726 Shares have been issued to directors, senior management and employees of the Group or their affiliates pursuant to share awards already vested, and 136,509,788 Shares have been reserved and are currently held by Golden Autumn Group Limited and Strausberg Group Limited for further grant or vesting of awards under the Pre-IPO Incentivisation Plans. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust, TMF (Cayman) Ltd., established for the purpose of holding Shares pursuant to the Pre-IPO Incentivisation Plans. No employee of the Group shall be granted an award which, if exercised or settled in full, would result in such employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the awards previously granted to him which have been exercised, and, issuable or settled under all the awards previously granted to him which are for the time being subsisting and unexercised, would exceed ten percent (10%) of the aggregate number of Shares for the time being issued and issuable under the plan.

OTHER INFORMATION

As of June 30, 2020, the aggregate number of underlying Shares pursuant to the outstanding RSUs granted under the Pre-IPO Incentivisation Plans is 69,295,336 Shares in aggregate, representing approximately 5.38% of the total issued share capital of the Company as of June 30, 2020. As of June 30, 2020, there are no outstanding share options or share purchase rights under the Pre-IPO Incentivisation Plans.

Subject to the termination provisions under the Pre-IPO Incentivisation Plans, the Pre-IPO Incentivisation Plans shall be valid and effective for a period of 10 years commencing on the adoption date after which period no further awards will be granted, but the provisions thereof shall in all other respects remain in full force and effect and shall not affect the ability of the Administrator to exercise the powers granted to it under the Pre-IPO Incentivisation Plans with respect to awards granted under the Pre-IPO Incentivisation Plans prior to the date of such termination. For further details, please refer to note 17 to the Interim Condensed Consolidated Financial Statements of this report.

On August 3, 2020, the Group granted 8,700,000 RSUs which shall be vested at exercise price of US\$0.178 to certain eligible individuals under the 2018 Pre-IPO Incentivisation Plan.

EVENT AFTER THE END OF THE REPORTING PERIOD

On August 3, 2020, the Group granted 8,700,000 RSUs which shall be vested at exercise price of US\$0.178 to certain eligible individuals under the 2018 Pre-IPO Incentivisation Plan.

NO MATERIAL CHANGES

Save as disclosed in this interim report, from the Listing Date to June 30, 2020, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing rules.

INDEPENDENT REVIEW REPORT



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To the board of directors of InnoCare Pharma Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 64, which comprises the condensed consolidated statement of financial position of InnoCare Pharma Limited (the “Company”) and its subsidiaries (the “Group”) as at June 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

21 August 2020

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
REVENUE	4	748	593
Cost of sales		–	–
Gross profit		748	593
Other income and gains	4	50,574	51,207
Selling and distribution expenses		(7,629)	(669)
Research and development costs		(231,157)	(94,831)
Administrative expenses		(47,483)	(16,084)
Other expenses		(32,831)	(23,714)
Fair value changes of convertible redeemable preferred shares	14	(141,579)	(236,962)
Finance costs		(485)	(1,400)
LOSS BEFORE TAX		(409,842)	(321,860)
Income tax expense	6	–	–
LOSS FOR THE PERIOD		(409,842)	(321,860)
Attributable to:			
Owners of the parent		(407,183)	(321,306)
Non-controlling interests		(2,659)	(554)
		(409,842)	(321,860)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	(RMB0.53)	(RMB1.65)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
LOSS FOR THE PERIOD	(409,842)	(321,860)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	13,977	(3,164)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(395,865)	(325,024)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(395,865)	(325,024)
Attributable to:		
Owners of the parent	(393,206)	(324,470)
Non-controlling interests	(2,659)	(554)
	(395,865)	(325,024)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Notes	June 30, 2020 (Unaudited) RMB' 000	December 31, 2019 (Audited) RMB' 000
NON-CURRENT ASSETS			
Property, plant and equipment	9	160,855	48,479
Goodwill		3,125	3,125
Other intangible assets		36,936	37,011
Right-of-use assets		82,849	86,311
Investments in joint ventures		1,159	1,159
Other non-current assets		18,104	30,861
Total non-current assets		303,028	206,946
CURRENT ASSETS			
Trade receivables		58	37
Prepayments, other receivables and other assets	10	61,515	36,590
Investments measured at fair value through profit or loss	11	30,137	80,347
Cash and bank balances	12	4,409,823	2,291,773
Total current assets		4,501,533	2,408,747
CURRENT LIABILITIES			
Trade payables	13	9,532	8,197
Other payables and accruals		50,510	41,528
Deferred income		645	645
Lease liabilities		5,506	6,204
Loan from a related party	19	–	9,098
Total current liabilities		66,193	65,672
NET CURRENT ASSETS		4,435,340	2,343,075
TOTAL ASSETS LESS CURRENT LIABILITIES		4,738,368	2,550,021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Notes	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	14	–	4,213,772
Convertible loan	15	1,149,007	1,117,176
Lease liabilities		1,510	3,394
Deferred income		154,920	157,389
Deferred tax liabilities		6,036	6,036
Total non-current liabilities		1,311,473	5,497,767
NET/(DEFICIENCY IN) ASSETS		3,426,895	(2,947,746)
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	16	4
Reserves		3,372,574	(3,004,714)
		3,372,590	(3,004,710)
Non-controlling interests		54,305	56,964
TOTAL EQUITY		3,426,895	(2,947,746)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

	Attributable to owners of the parent									
	Share capital RMB' 000 (note 16)	Share premium RMB' 000 (note 16)	Other reserve RMB' 000	Share-	Asset	Foreign	Accumulated losses RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
				payments	revaluation	exchange				
				reserve	reserve	reserve				
RMB' 000 (note 16)	RMB' 000 (note 16)	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
As at January 1, 2020 (Audited)	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	-	-	-	-	-	-	(407,183)	(407,183)	(2,659)	(409,842)
Exchange differences on translation of foreign operations	-	-	-	-	-	13,977	-	13,977	-	13,977
Total comprehensive loss for the period	-	-	-	-	-	13,977	(407,183)	(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
As at June 30, 2020 (Unaudited)	16	6,619,858	(19,292)	303,850	(6,036)	(38,228)	(3,487,578)	3,372,590	54,305	3,426,895

	Attributable to owners of the parent									
	Share capital RMB' 000 (note 16)	Share premium RMB' 000 (note 16)	Other reserve RMB' 000	Share-	Asset	Foreign	Accumulated losses RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
				payments	revaluation	exchange				
				reserve	reserve	reserve				
RMB' 000 (note 16)	RMB' 000 (note 16)	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	
As at January 1, 2019 (Audited)	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
As at June 30, 2019 (Unaudited)	3	-	(19,292)	110,684	(6,036)	(21,202)	(1,260,313)	(1,196,156)	65,373	(1,130,783)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cash flows from operating activities			
Loss before tax		(409,842)	(321,860)
Adjustments for:			
Finance costs		485	1,400
Interest income	4	(40,091)	(26,857)
Fair value changes of a convertible loan		31,831	23,559
Fair value changes of convertible redeemable preferred shares		141,579	236,962
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
Share-based payment expenses		159,977	32,615
		(110,837)	(50,532)
Increase in trade receivables		(21)	(25)
Increase in prepayments, other receivables and other assets		(13,283)	(11,488)
Increase in trade payables		1,335	880
Increase/(decrease) in other payables and accruals		6,693	(3,652)
(Decrease)/increase in deferred income		(2,469)	5,002
Cash used in operations		(118,582)	(59,815)
Interest received		28,449	26,857
Net cash flows used in operating activities		(90,133)	(32,958)
Cash flows from investing activities			
Investment income in wealth management products		1,062	8,178
Purchases of investments		(135,000)	(497,500)
Proceeds upon maturity of investments		184,150	550,829
Purchases of items of property, plant and equipment		(110,921)	(2,824)
Purchases of other intangible assets		(43)	(9)
Decrease/(increase) in other non-current assets		12,757	(4,670)
(Increase)/decrease in time deposits		(1,819,052)	205,183
Net cash flows (used in)/from investing activities		(1,867,047)	259,187

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	Notes	2020 (Unaudited) RMB' 000	2019 (Unaudited) RMB' 000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,355,855	–
Share issue expenses		(100,676)	–
Proceeds from issue of convertible redeemable preferred shares		–	412,672
Loan repaid to related party		(9,098)	–
Repayment of loans from third parties		–	(50,000)
Finance expense paid		(485)	(1,752)
Principal portion of lease payments		(3,393)	(3,279)
Net cash flows from financing activities		2,242,203	357,641
Net increase in cash and cash equivalents		285,023	583,870
Cash and cash equivalents at beginning of period		1,594,153	1,245,204
Effect of foreign exchange rate changes, net		13,975	89
Cash and cash equivalents at end of period	12	1,893,151	1,829,163
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in			
the consolidated statement of financial position	12	4,409,823	2,255,394
Time deposits with original maturity of more than			
three months but less than one year when acquired	12	(2,516,672)	(426,231)
Cash and cash equivalents as stated in the consolidated			
statement of cash flows		1,893,151	1,829,163

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on November 3, 2015. The registered office of the Company is located at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the research and development of biological products. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on March 23, 2020.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after June 1, 2020 with earlier application permitted.

During the period ended June 30, 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced by the lessor as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on January 1, 2020 and elected not to apply lease modification accounting for the rent concession granted by the lessor as a result of the covid-19 pandemic during the period ended June 30, 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB150,000 has been accounted by derecognising part of the lease liabilities and crediting to profit or loss for the period ended June 30, 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could 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 clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Since the Group's revenue and operating losses were mainly from the activities related to research and development in Mainland China, and most of the Group's identifiable operating assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Revenue from each of the major customers which amounted to 10% or more of the Group's revenue during the period is set out below:

	For the six months ended	
	June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A	427	207
Customer B	40	–
	467	207

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

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	748	593

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)
Other income and gains		
Government grants (note)	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	–
	50,574	51,207

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.

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	141,579	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)
Loss		
Loss for the period attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	(407,183)	(321,306)

	For the six months ended June 30,	
	2020	2019
	Number of shares '000	Number of shares '000
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	774,854	194,462

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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. Details of these share options and restricted stock units are set out in note 16 to the financial statements.

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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2020, the Group acquired assets with a cost of RMB113,210,000 (for the six months ended June 30, 2019: RMB2,824,000).

The Group didn't dispose any asset during the six months ended June 30, 2020 (for the six months ended June 30, 2019: Nil).

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Value-added tax recoverable	28,108	13,836
Interest receivable	19,262	7,620
Prepayments	11,853	13,200
Other receivables	2,292	1,934
	61,515	36,590

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Group are of the opinion that the estimated credit loss in respect of these balances is immaterial.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

11. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Investments measured at fair value through profit or loss (note)	30,137	80,347

Notes:

The investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected yield rates ranging from 3.48% to 3.58% per annum for the six months ended June 30, 2020 (for the year ended December 31, 2019: 3.57% to 3.81%). The yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

The fair values are based on cash flows discounted using the expected yield rate based on management judgement and are within level 2 of the fair value hierarchy.

12. CASH AND BANK BALANCES

	June 30, 2020	December 31, 2019
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Cash and bank balances	4,409,823	2,291,773
Less: Time deposits with original maturity of more than three months but less than one year when acquired	(2,516,672)	(697,620)
Cash and cash equivalents	1,893,151	1,594,153
Denominated in:		
RMB	1,112,253	1,087,220
Hong Kong Dollars ("HK\$")	578,370	315
United States Dollars ("US\$")	202,166	502,957
Australian Dollars	362	3,661
Cash and cash equivalents	1,893,151	1,594,153

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Time deposits are made for varying periods of between three months and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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:

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

	Series A Preferred Shares RMB'000	Series B Preferred Shares RMB'000	Series C Preferred Shares RMB'000	Series D Preferred Shares RMB'000	Total RMB'000
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	86,652	190,053	107,453	(242,579)	141,579
Convert into ordinary shares	(454,156)	(1,030,859)	(1,190,677)	(1,679,659)	(4,355,351)
As of June 30, 2020 (Unaudited)	–	–	–	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

14. CONVERTIBLE REDEEMABLE PREFERRED SHARES (continued)

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).

15. CONVERTIBLE LOAN

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

In August 2018, Guangzhou InnoCare Pharma Tech Co., Ltd. ("Guangzhou InnoCare") was jointly established by Guangzhou Kaide Technology Development Limited ("Guangzhou Kaide", it was renamed as Guangzhou High-Tech Zone Technology Holding Group Co., Ltd.) and a subsidiary of the Company. In addition, Guangzhou Kaide provided Guangzhou InnoCare with a convertible loan amounting to RMB930 million, which bears interest at 6.5% per annum and is due on December 31, 2024. Under the loan agreement, Guangzhou Kaide has been granted an option to convert the loan into ordinary shares of Guangzhou InnoCare under certain conditions. The Group does not bifurcate any embedded derivatives from the host instrument and has designated the loan from Guangzhou Kaide with a conversion right as a financial liability at fair value through profit or loss. Further details are included in note 21 to the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

16. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on November 3, 2015 with an initial authorised share capital of US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each. In September 2016, the authorised share capital was further sub-divided into 25,000,000,000 shares with a par value of US\$0.000002 each.

	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Issued and fully paid:		
ordinary shares of US\$0.000002 each	16	4

A summary of the movements in the Company's share capital is as follows:

	Notes	Number of shares in issue '000	Share capital RMB'000	Share premium RMB'000
Issued and fully paid:				
As of December 31, 2019 (Audited)		300,256	4	9,341
Settlement of restricted share units ("RSUs")	(a)	32,282	–	–
Issue of shares for IPO	(b)	250,324	4	2,048,394
Automatic conversion of preferred shares upon IPO	(c)	532,245	7	4,355,343
Issue of shares under the over-allotment option	(d)	37,548	1	307,456
Share issue expenses		–	–	(100,676)
Treasury shares held in trust				
as of June 30, 2020	(e)	136,510	–	–
As of June 30, 2020 (Unaudited)		1,289,165	16	6,619,858

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

16. SHARE CAPITAL (continued)

Notes:

- a) On January 7, 2020, 32,282,611 RSUs of US\$0.000002 per share have been immediately vested with nil consideration.
- b) In connection with the Company's IPO, 250,324,000 ordinary shares of US\$0.000002 each were issued at a price of HK\$8.95 per share for a total cash consideration, before deducting the listing expenses, of approximately HK\$2,240,400,000 (equivalent to RMB2,048,398,000). Dealings in these shares on the Stock Exchange commenced on March 23, 2020.
- c) All Preferred Shares were automatically converted into 532,244,771 ordinary shares upon the successful IPO of the Company on March 23, 2020.
- d) On April 22, 2020, 37,548,000 ordinary shares of US\$0.000002 each (the "Over-allotment Shares") were issued by full exercise of the over-allotment option at a price of HK\$8.95 per share for a total cash consideration, before listing expenses, of approximately HK\$336,055,000 (equivalent to approximately RMB307,457,000).
- e) As of June 30, 2020, 136,509,788 Shares have been reserved under the Schemes and are currently held by Golden Autumn Group Limited, Strausberg Group Limited and TMF (Cayman) Ltd. for further grant or vesting of awards under the Schemes. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust.

17. SHARE-BASED PAYMENTS

The Company operates three share-based payment schemes, 2015 Global Share Plan, 2016 Global Share Plan and 2018 Global Share Plan (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include the Company's directors, the Group's employees and consultants.

"Class A Ordinary Shares" means the Company's class A ordinary shares, with a par value of US\$0.000002 per share.

"Class B Ordinary Shares" means the Company's class B ordinary shares, with a par value of US\$0.000002 per share, all of which shall be reserved and issued for employee incentive purposes under the employee stock option plan as adopted by the board of directors of the Company.

2015 Global Share Plan

The 2015 Global Share Plan became effective on September 6, 2016 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 183,888,050 Class B Ordinary Shares. The 2015 Global Share Plan permits the awards of share options and RSUs. Share options and RSUs do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

17. SHARE-BASED PAYMENTS (continued)

2016 Global Share Plan

The 2016 Global Share Plan became effective on September 6, 2016 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 22,200,000 Class B Ordinary Shares. The 2016 Global Share Plan permits the awards of RSUs, which do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

2018 Global Share Plan

The 2018 Global Share Plan became effective on November 28, 2018 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 68,498,464 Class B Ordinary Shares. The 2018 Global Share Plan permits the awards of RSUs, which do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

Share options

No share options were granted during the six months ended June 30, 2020 (the six months ended June 30, 2019: Nil).

For those share options, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based payment expenses are then adjusted to reflect the revision of original estimates.

The exercise periods of the share options outstanding under 2015 Global Share Plan are as follows:

	Number of Share options
Outstanding as of January 1, 2019	52,144,445
Exercised during the period	–
As of June 30, 2019	52,144,445
Outstanding as of January 1, 2020	–
Exercised during the period	–
As of June 30, 2020	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

17. SHARE-BASED PAYMENTS (continued)

RSUs

The Group grants RSUs to certain eligible individuals of the Company's directors and the Group's employees and consultants at the par value of the ordinary shares under the 2015 Global Share Plan, at the price of US\$0.055 per share under the 2016 Global Share Plan and at the price of US\$0.178 to certain eligible individuals under the 2018 Global Share Plan.

The RSUs have vesting terms in different schedules from the grant date over 4 years, 5 years or certain milestone-based requirements. Once the vesting conditions underlying the respective RSUs are met, the shares under RSUs will be issued to the grantees at par value.

- (1) For vesting schedule as 4 years or 5 years, specifically, the RSUs awarded vest in tranches from the grant date over a certain service period, on the condition that employees remain in service and met the certain performance condition of the Company and individuals. There are four types for the period of cliff vesting set as follows:
 - (a) The period of cliff vesting equals to 1 year, 25% of the RSUs shall become vested upon the first anniversary of the vesting commencement date by one time; or 50% of the RSUs shall become vested upon the first anniversary of the vesting commencement date by one time;
 - (b) The period of cliff vesting equals to 2 years, 40% or 50% of the RSUs shall become vested upon the first (or second) anniversary of the vesting commencement date by one time;
 - (c) The period of cliff vesting equals to 3 years, 60% of the RSUs shall become vested upon the third anniversary of the vesting commencement date by one time.

After the agreed period of cliff vesting, the remaining vesting of RSUs shall subsequently vest in equal and continuous annually instalments over the three or two years thereafter, which shall vest on each of the following three or two anniversaries of such date.

- (2) For vesting schedule as certain milestone-based awards, the RSUs are vested subject to the directors and employees' continued status as a service provider and the achievement of a specified performance target including but not limited to the completion of marketing authorisation of various drug candidates or achievement of certain sales targets.

Subject to the achievement of certain milestone conditions, certain performance conditions and the directors and employees' continued status as a service provider through each of the applicable vesting dates, and to the extent permitted by applicable law, the RSUs shall be vested in whole or in part in accordance with the rules and the vesting schedule as same as what has been set forth regards share options above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

17. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

The following RSUs were outstanding under the Schemes as at the end of the reporting period are as follows:

	Number of RSUs			Total
	2015 Global share plan (note a)	2016 Global share plan (note b)	2018 Global share plan (note c)	
Outstanding as of				
December 31, 2018	113,545,451	–	–	113,545,451
Granted during the period	15,405,555	–	–	15,405,555
Outstanding as of June 30, 2019 (Unaudited)	128,951,006	–	–	128,951,006
Outstanding as of				
December 31, 2019 (Audited)	77,301,336	–	3,140,000	80,441,336
Granted during the period	16,792,599	15,540,012	4,804,000	37,136,611
Cancelled during the period	(16,000,000)	–	–	(16,000,000)
Exercised during the period	(16,792,599)	(15,490,012)	–	(32,282,611)
Outstanding as of June 30, 2020 (Unaudited)	61,301,336	50,000	7,944,000	69,295,336

Notes:

(a) 2015 Global Share Plan

The Group had cancelled 16,000,000 RSUs which shall be vested at the price of US\$0.000002 per share and granted 16,792,599 immediately vesting RSUs with a nil consideration to certain eligible individuals. 16,792,599 RSUs have been exercised under the 2015 Global Share Plan for the six months ended 30 June 2020 (For the six months ended 30 June 2019: nil). As at 30 June 2020, the total number of RSUs which remain outstanding under the 2015 Global Share Plan was 61,301,336 (30 June 2019: 128,951,006).

(b) 2016 Global Share Plan

The Group had granted 15,490,012 immediately vesting RSUs of the Company's shares with a nil consideration and 50,000 RSUs which shall be vested at the price of US\$0.055 per share to certain eligible individuals. 15,490,012 RSUs have been vested under the 2016 Global Share Plan for the six months ended 30 June 2020 (For the six months ended 30 June 2019: Nil). As at 30 June 2020, the total number of RSUs which remain outstanding under the 2016 Global Share Plan was 50,000 (30 June 2019: Nil).

(c) 2018 Global Share Plan

The Group had granted 4,804,000 RSUs of the Company's shares, which shall be vested at the price of US\$0.178 per share to certain eligible individuals for the six months ended 30 June 2020 (For the six months ended 30 June 2019: Nil). As at 30 June 2020, the total number of RSUs which remain outstanding under the 2018 Global Share Plan was 7,944,000 (30 June 2019: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

17. SHARE-BASED PAYMENTS (continued)

RSUs (continued)

In 2020, the fair values of 16,792,599 and 15,490,012 RSUs under 2015 Global Share Plan and 2016 Global Share Plan are determined by using back-solve method from the most recent transaction price of the Company's Preferred Shares. The fair value of 50,000 and 4,804,000 RSUs under 2016 Global Share Plan and 2018 Global Share Plan are determined by using a binomial model, taking into account the terms and conditions upon which the RSUs were granted. The following table lists the key assumptions that the model used.

	2020	2019
Expected volatility (%)	57.0-64.0	59.0-61.0
Risk-free interest rate (%)	0.6-1.8	1.93-2.05
Expected life of options (year)	10	10
Weighted average share price (US\$ per share)	1.42	0.49

The Group recognised share-based payment expenses of RMB160.0 million during the six months ended June 30, 2020 (for the six months ended June 30, 2019: RMB32.6 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	June 30, 2020	December 31, 2019
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
<hr/>		
Contracted, but not provided for:		
Plant and machinery	185,340	180,904

19. RELATED PARTY TRANSACTIONS

Group and Company

(a) *The Group had the following transactions with a related party during the period:*

		For the six months ended June 30, 2020	2019
	Note	RMB' 000	RMB' 000
		(Unaudited)	(Unaudited)
<hr/>			
Interests paid to a related party:			
King Bridge	(i)	231	–
<hr/>			
Repayment to a related party:			
King Bridge	(i)	9,098	–

Note:

- (i) In July 2017, the Company repurchased 22,000,000 Series B Preferred Shares of its own from the preferred shareholder, King Bridge Investments Limited (“King Bridge”), at an aggregate consideration of US\$1,275,047 which is unsecured, interest-bearing at 1% per annum and repayable at the earlier of (i) July 21, 2023 and (ii) the consummation of the initial public offering of the Company’s ordinary shares. The Company had settled this loan in this period.

(b) *Outstanding balances with a related party:*

		June 30, 2020	December 31, 2019
		RMB' 000	RMB' 000
		(Unaudited)	(Audited)
<hr/>			
Loans from a related party:			
King Bridge		–	9,098

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

19. RELATED PARTY TRANSACTIONS (continued)

Group and Company (continued)

(c) Compensation of key management personnel of the Group:

	For the six months ended	
	2020	2019
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Short-term employee benefits	7,086	3,769
Pension scheme contributions	38	46
Share-based payment expenses	132,880	28,576
Total compensation paid to key management personnel	140,004	32,391

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As of June 30, 2020 (Unaudited)

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB' 000	RMB' 000	RMB' 000
Trade receivables	58	–	58
Financial assets included in prepayments, other receivables and other assets	21,554	–	21,554
Investments measured at fair value through profit or loss	–	30,137	30,137
Cash and bank balances	4,409,823	–	4,409,823
	4,431,435	30,137	4,461,572

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

20. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As of June 30, 2020 (Unaudited) (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Trade payables	9,532	–	9,532
Financial liabilities included in other payables and accruals	43,197	–	43,197
Lease liabilities	7,016	–	7,016
Convertible loan	–	1,149,007	1,149,007
	59,745	1,149,007	1,208,752

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As of December 31, 2019 (Audited)

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Trade receivables	37	–	37
Financial assets included in prepayments, other receivables and other assets	9,554	–	9,554
Investments measured at fair value through profit or loss	–	80,347	80,347
Cash and bank balances	2,291,773	–	2,291,773
	2,301,364	80,347	2,381,711

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As of December 31, 2019 (Audited) (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB' 000	Financial liabilities at fair value through profit or loss RMB' 000	Total RMB' 000
Trade payables	8,197	–	8,197
Financial liabilities included in other payables and accruals	31,456	–	31,456
Lease liabilities	9,598	–	9,598
Loans from a related party	9,098	–	9,098
Convertible redeemable preferred shares	–	4,213,772	4,213,772
Convertible loan	–	1,117,176	1,117,176
	58,349	5,330,948	5,389,297

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, investments in wealth management products, trade receivables, financial assets included in deposits, prepayments and other receivables, trade payables, loans and borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At the end of the period ended June 30, 2020, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee for interim financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As of June 30, 2020 (Unaudited)

	Fair value measurement using			Total RMB' 000		
	Quoted prices in active Markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000			
	Investments measured at fair value through profit or loss	–	30,137		–	30,137

As of December 31, 2019 (Audited)

	Fair value measurement using			Total RMB' 000		
	Quoted prices in active Markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000			
	Investments measured at fair value through profit or loss	–	80,347		–	80,347

Liabilities measured at fair value:

As of June 30, 2020 (Unaudited)

	Fair value measurement using			Total RMB' 000		
	Quoted prices in active Markets (Level 1) RMB' 000	Significant observable inputs (Level 2) RMB' 000	Significant unobservable inputs (Level 3) RMB' 000			
	Financial liabilities at fair value through profit or loss: Convertible loan	–	–		1,149,007	1,149,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

As of December 31, 2019 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
	Financial liabilities at fair value through profit or loss:			
Convertible redeemable preferred shares	-	-	4,213,772	4,213,772
Convertible loan	-	-	1,117,176	1,117,176
	-	-	5,330,948	5,330,948

- (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial instruments in Level 2

The fair value of investments in wealth management products that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data, such as the discount rate where it is available.

Financial instruments in Level 3

The following table gives information about how the fair value of the convertible loan is determined. Further details of the convertible loan are included in note 15 to the interim condensed consolidated financial information.

	Fair value RMB'000	Significant unobservable inputs	Range of inputs (%)	Inputs to fair value
As of June 30, 2020 (Unaudited)	1,149,007	the discount rate	2.52~4.67	note
As of December 31, 2019 (Audited)	1,117,176	the discount rate	2.82~4.97	note

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

- (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial instruments in Level 3 (continued)

The Group applied the discounted cash flow method to determine the fair value of the convertible loan, which is the probability-weighted average of the convertible option and straight loan. The discount rate for convertible option is the risk-free rate while the discount rate for straight loan at the end of the reporting period is the risk-free rate plus an implied spread. The Group estimated the risk-free interest rate based on the yield of the China Government Bond Zero Curve as of the valuation date with the term corresponding to the time to maturity of the convertible loan.

Below is a summary of significant unobservable inputs to the valuation of the convertible loan with a quantitative sensitivity analysis as at the end of the reporting period.

Valuation technique	Significant unobservable input	Range	Sensitivity of the input to the fair value RMB'000
Convertible loan	Discount cash flow method;	30 June, 2020: 2.52%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (42,308)/44,639
		31 December, 2019: 2.82%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (45,534)/48,270
	discount rate for straight loan	30 June, 2020: 4.67%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (6,664)/7,024
		31 December, 2019: 4.97%	1% increase/(decrease) in the discount rate would result in a (decrease)/ increase in fair value by (7,101)/7,519

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2020

22. EVENTS AFTER THE REPORTING PERIOD

On August 3, 2020, the Group granted 8,700,000 RSUs which shall be vested at exercise price of US\$0.178 to certain eligible individuals under the 2018 Global Share Plan.



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