东曜药业
TOT BIOPHARM

2023

東曜藥業股份有限公司
TOT BIOPHARM International Company Limited
Interim Report

(Incorporated in Hong Kong with limited liability)

Stock Code:1875

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTOR
Dr. Liu, Jun *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
Mr. Fu, Shan *(Chairperson of the Board)*
Ms. Yeh-Huang, Chun-Ying *(Vice Chairperson of the Board)*
Mr. Qiu, Yu Min *(resigned with effect from 12 August 2023)*
Dr. Liu, Weidong *(appointed with effect from 12 August 2023)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Hu, Lan
Mr. Chang, Hong-Jen
Dr. Wang, De Qian

AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE
Ms. Hu, Lan *(Chairperson)*
Mr. Qiu, Yu Min *(resigned with effect from 12 August 2023)*
Dr. Liu, Weidong *(appointed with effect from 12 August 2023)*
Mr. Chang, Hong-Jen

REMUNERATION COMMITTEE
Mr. Qiu, Yu Min *(resigned as chairperson with effect from 12 August 2023)*
Dr. Liu, Weidong *(appointed as chairperson with effect from 12 August 2023)*
Mr. Chang, Hong-Jen
Dr. Wang, De Qian

NOMINATION COMMITTEE
Mr. Fu, Shan *(Chairperson)*
Ms. Hu, Lan
Dr. Wang, De Qian

STRATEGY AND ESG COMMITTEE
Mr. Fu, Shan *(Chairperson)*
Dr. Liu, Jun
Ms. Yeh-Huang, Chun-Ying
Mr. Qiu, Yu Min *(resigned with effect from 12 August 2023)*
Dr. Liu, Weidong *(appointed with effect from 12 August 2023)*
Dr. Wang, De Qian

JOINT COMPANY SECRETARIES
Mr. Chen, Yifan
Mr. Lui, Wing Yat Christopher *(Associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom)*

AUTHORIZED REPRESENTATIVES
Dr. Liu, Jun
Mr. Lui, Wing Yat Christopher

SHARE REGISTRAR
Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

REGISTERED OFFICE
5/F, Manulife Place,
348 Kwun Tong Road,
Kowloon, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
120 Changyang Street,
Suzhou Industrial Park,
Suzhou, PRC

COMPANY WEBSITE
www.totbiopharm.com.cn

PLACE OF LISTING AND STOCK CODE
The Stock Exchange of Hong Kong Limited
1875

PRINCIPAL BANKS
Shanghai Pudong Development Bank
Bank of China
Agricultural Bank of China
China Merchants Bank
Bank of Jiangsu

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

LEGAL ADVISER
Sullivan & Cromwell (Hong Kong) LLP

INVESTORS AND MEDIA RELATIONS CONSULTANT
Zhixin Investor Relations Consultant Limited

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY AND PERFORMANCE OVERVIEW

With the rapid development of China's biomedical industry, competition in the industry has become increasingly fierce and the adjustment of the industrial structure has accelerated, placing higher requirements on research and development, process, quality, production and other aspects. In the first half of 2023, TOT BIOPHARM achieved rapid growth by continuously implementing its strategic transformation goals to make efforts in business and technology.

In terms of business, TOT BIOPHARM enjoyed continuous and rapid growth in commercial sales with launched products. At the same time, leveraging its first-mover advantage and outstanding competitiveness, the Company's antibody-drug conjugates ("ADC") CDMO business has emerged and become one of the market leaders in China, attracting close attention and high recognition from industry partners and achieving a number of ADC CDMO project cooperation.

For the first half of 2023, the Group's revenue amounted to RMB328,063 thousand, representing a year-on-year increase of 80%. For the first half of 2023, there was no one-time revenue from licenses granted, as compared to RMB49,434 thousand for the first half of 2022. Excluding the impact of such item, revenue would have increased by 147% for the first half of 2023. The sales revenue was RMB277,881 thousand, representing a year-on-year increase of 167%, which was mainly attributable to the significant increase in the sales of Pusintin® (Bevacizumab biosimilar), our core product. Revenue from CDMO/CMO business amounted to RMB46,546 thousand, representing a year-on-year increase of 105%. The Group's cash-generating capability was continuously enhanced, and the net cash flow from operating activities continued to be positive and amounted to RMB62,413 thousand, increasing by 116% year-on-year.

In line with its strategy, the Company focused on the development of biological drug CDMO business with a particular attention on the ADC CDMO sector. The business scale has expanded rapidly. As of 30 June 2023, there were 45 CDMO projects in process, representing a year-on-year increase of 96%, well above the industry's average growth rate and demonstrating a strong development momentum. Among these projects, there were 28 ADC projects and 14 antibody projects. The Company has entered into comprehensive cooperation in the fields of ADC drugs, radionuclide-drug conjugates (RDC) and other broader bioconjugates drugs with project partners such as Escugen (詩健生物), Lepu Biopharma (樂普生物), SmartNuclide (智核生物) and BioRay (博锐生物). In addition, we have successfully secured 3 pre-BLA ADC projects, fully demonstrating the Company's outstanding capabilities in the field of ADC CDMO.

In terms of net profit, benefiting from the significant increase in sales revenue and effective cost control, especially in research and development expenses, the net loss for the first half of 2023 decreased to RMB15,163 thousand from RMB15,724 thousand for the same period in 2022. Meanwhile, thanks to the Company's strategic adjustment, research and development expenses were significantly narrowed to RMB49,969 thousand, and the net cash inflows from operating activities were RMB62,413 thousand.

In terms of technology, the Company continued to build a leading ADC CDMO technology platform. In 2023, the Company launched a cooperation with GlycanLink (糖嶺生物) to jointly develop an ADC site-specific conjugation technology platform – DisacLink™, creating the world's most valuable site-specific conjugation technology in terms of application value and accelerating the development of innovative ADC drugs.

II. LAUNCHED PRODUCTS AND R&D PIPELINE

1. Overall Marketing Strategy of Products

In 2023, under the new strategic direction of development, TOT BIOPHARM actively promoted the sales of launched products and the development of two drug candidates. By optimizing the product structure, the Group's research and development expenses of new drugs continued to decrease, effectively improving the cash flow of the Company. For the research and development of TAE020 and TAC020, our early-stage drug candidates, we will promote the cooperation on clinical research and development and commercial licensing of related products under an open and collaborative model, so as to further accelerate the commercialization process of product pipelines and generate potential milestone revenue. At the same time, the commercial production of licensed products can continue to be carried out by TOT BIOPHARM, which will generate revenue for the CDMO services of the Company in the future.

Product Pipeline of the Company

Type	Drug Candidate	Indication(s)	Preclinical	Clinical Phase I	Clinical Phase II	Clinical Phase III	NDA	Launched
Antibody-drug conjugate	TAE020 (new target)	Acute myeloid leukemia						
Monoclonal antibody	TAB014 (anti-VEGF)	Wet age-related macular degeneration (wAMD)				ZHAOKE 兆科		
						IND authorized by FDA to directly enter Clinical Phase III		
	TAC020 (new target)	Various solid tumors	Co-development					

Drug Name	Indication(s)	Product Specification	Launched
TAB008: Pusintin® (Bevacizumab Injection)	Advanced, metastatic or recurrent non-squamous non-small cell lung cancer; metastatic colorectal cancer; recurrent glioblastoma multiforme; epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer; cervical cancer; hepatocellular carcinoma	100 mg (4 mL)/bottle	Approved for launch by NMPA on 30 November 2021
TOZ309: Tazian® (Temozolomide Capsule)	Newly diagnosed glioblastoma multiforme, initially combined with radiotherapy, and then as maintenance therapy; glioblastoma multiforme or anaplastic astrocytoma that recurs or progresses after conventional treatment	20 mg x 5 capsules/bottle; 100 mg x 5 capsules/bottle	Approved for launch by NMPA on 31 May 2021
TOM218: Megaxia® (Megestrol Acetate Oral Suspension)	Anorexia associated with acquired immunodeficiency syndrome (AIDS) as well as significant weight loss of AIDS and cancer patients caused by cachexia	150 mL/bottle	Approved for launch by NMPA on 13 May 2021 *(This product is imported from Taiwan; the Company owns the exclusive agency rights of this product in mainland China, Hong Kong and Macau)*

Cautionary statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to successfully develop and ultimately market its drug candidates. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the securities of the Company.

Source: The Company

2. Marketing Strategy of Launched Products

– *Pusintin® (Bevacizumab injection)*

– *Indications: non-small cell lung cancer; metastatic colorectal cancer; recurrent glioblastoma multiforme; epithelial ovarian cancer, fallopian tube cancer or primary peritoneal cancer; cervical cancer; hepatocellular carcinoma*

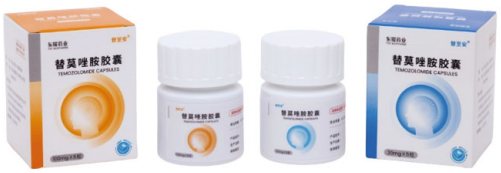
Pusintin®, the core product of the Company in the field of anti-tumor treatment, is also TOT BIOPHARM's first biological drug approved for launch. As of 30 June 2023, Pusintin® has been approved for the treatment of all six indications that can be treated with the originator drug approved in mainland China. At the same time, with the expansion of clinical research on bevacizumab, new indications that can be treated with bevacizumab and extensive demand for bevacizumab in combination therapies (for use in combination with chemical drugs, double antibodies, ADC and other drugs), the market potential for bevacizumab has continued to grow, making it a major category of biological drugs valued at over RMB10.0 billion. According to the statistics and estimates of Frost & Sullivan, the global market size of bevacizumab is expected to increase to nearly RMB49.0 billion in 2030, with a CAGR of 7.6% from 2021 to 2030, and the market size of bevacizumab in China is expected to increase to RMB18.4 billion in 2030, with a CAGR of 8.3% from 2021 to 2030. Pusintin® was successfully listed on the 2022 National Reimbursement Drug List as a Class B drug, which significantly improved the affordability and drug accessibility for patients, and the market demand continued to grow. Through close cooperation with Jixin Pharmaceutical (濟鑫醫藥), the Company continued to expand the market share of Pusintin®.

In 2023, the Company continued to implement differentiated marketing strategies and further consolidated its market position. For the first half of 2023, the sales growth rate of the drug increased by 161% year-on-year through strategies such as focusing on second- and third-tier cities with huge market space and provinces that have adopted dual-channel pharmacies, and continuing to penetrate into third- and fourth-tier cities and county-level cities. In terms of overseas markets, we actively promoted the registration filing for the launch of Pusintin® in overseas markets. As of 30 June 2023, we have initiated the registration application in 20 overseas countries, and the registration application documents have been accepted by 8 countries. We aim to obtain the first approval from an overseas country by the end of 2023 in order to penetrate overseas markets.

Pusintin®

- *Tazian® (Temozolomide capsule)*
  - *Indications: glioblastoma; anaplastic astrocytoma*

    Tazian® was approved for launch by the National Medical Products Administration ("NMPA") on 31 May 2021 for the treatment of newly diagnosed glioblastoma or anaplastic astrocytoma. Temozolomide capsules were included in the fourth batch of national centralized procurement catalogue in 2021. Tazian® was successfully selected by the Thirteen Allied Provinces in the first half of 2022. As of 30 June 2023, the Company has become the supplier in the renewal of centralized procurement by Jiangsu Province, Hebei Province, Beijing, Guangdong Province, Jiangxi Province, Shandong Province and Shaanxi Province. The Company has entered into a marketing cooperation with Jixin Pharmaceutical (濟鑫醫藥) in China, which has enhanced the penetration of hospital procurement channels.



Tazian®

- *Megaxia® (Megestrol acetate oral suspension)*
  - *Indications: anorexia associated with acquired immunodeficiency syndrome ("AIDS"); significant weight loss of AIDS and cancer patients caused by cachexia*

    Megaxia® was approved for launch by the NMPA on 13 May 2021 for the treatment of anorexia associated with AIDS as well as significant weight loss of AIDS and cancer patients caused by cachexia. This product is an oral suspension with a specification of 125 mg/mL (150 mL/bottle). The Company owns the exclusive agency rights of this product in mainland China, Hong Kong and Macau.

    Megaxia® is the only oral nanosuspension launched in the world. Compared to traditional oral dosage forms on the market, this dosage form has high absorption, good taste and high patient compliance, which can significantly improve anorexia and weight loss problems suffered by patients. With the introduction of Megaxia®, TOT BIOPHARM continued to improve the brand awareness of the drug through an open and collaborative model, with a view to help cancer patients and AIDS patients improve their quality of life.

Megaxia®

III. ANTIBODY-DRUG CONJUGATES (ADC) ARE ENJOYING A GOLDEN PERIOD OF RAPID DEVELOPMENT

1. Market Size of Biological Drugs

Driven by the rapid development of biotechnology and the increased investment in research and development, China's biomedical industry is entering a period of rapid development, and the market size is steadily expanding. According to the statistics and estimates of Frost & Sullivan, the market size of biological drugs in China will increase from RMB410.0 billion in 2021 to RMB710.2 billion in 2025, representing a CAGR of 14.7%. In the future, with the improvement of residents' affordability, the growth of patient groups, and the expansion of medical insurance coverage, it is expected that the market size of biological drugs in China will be further expanded to RMB1 trillion by 2030. ADC drug, with high specificity inherent to antibody and the high anti-tumor activity inherent to cytotoxin, is of more controllable safety, and is currently one of the hot research topics in the field of tumor treatment. In 2023, the number of overseas licensing projects for China's ADC drugs will increase, opening up new grounds in China's ADC drug market.

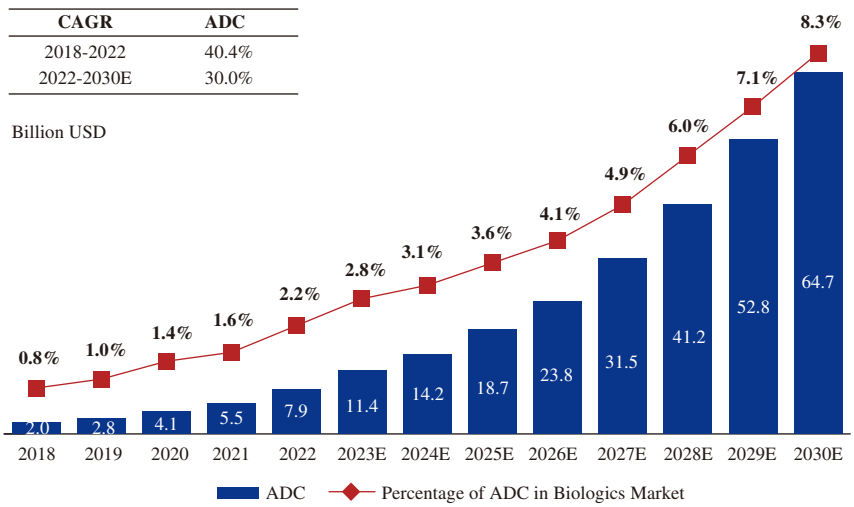
2. Market Opportunities for ADC

– *Rapid growth of the ADC drug market*

The global popularity of research and development and investment in ADC drugs has grown steadily in recent years. A number of high-value product licensing deals and corporate mergers and acquisitions around the world have been in the field of ADC drugs, attracting great attention from the market. ADC has become one of the hottest segments in the innovative drug industry, which is expected to grow significantly over the next decade. According to the statistics and estimates of Frost & Sullivan, the global market size of ADC drugs is expected to increase from USD7.9 billion in 2022 to USD64.7 billion in 2030, representing a CAGR of 30%. As one of the major countries for research and development of ADC drugs, China has huge potential for growth in the ADC drug market.

Global Market Size of ADC Between 2018 and 2030E

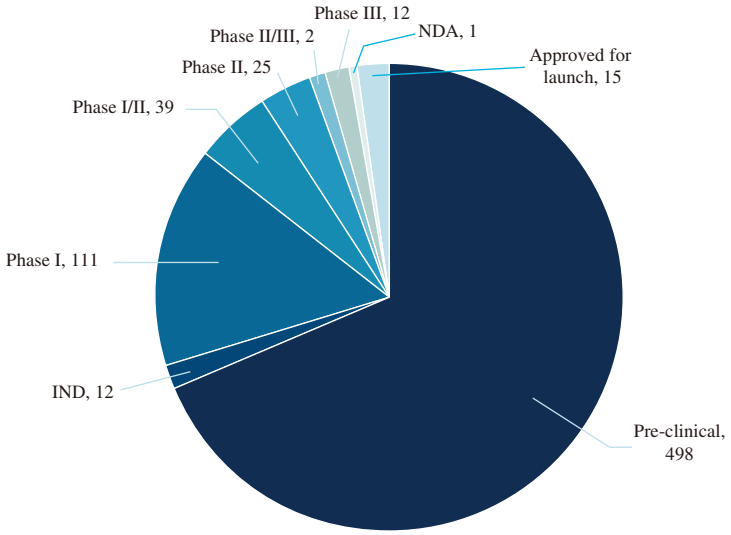
CAGR	ADC
2018-2022	40.4%
2022-2030E	30.0%



Source: Frost & Sullivan

As the market size of ADC drugs began to surge, the clinical applications for ADC drugs also expanded rapidly. According to the information released by PHARMCUBE (醫藥魔方) in May 2023, there are over 700 active traditional ADC drugs in the world, of which only 15 products have been approved for launch. There are still more than 200 products in various stages of clinical research, the majority of which are still in the pre-clinical stage, which offers great growth potential for the ADC CDMO business market.

Global R&D Phase of ADC Drugs



Source: PHARMCUBE (醫藥魔方)

– *ADC CDMO facilitated the acceleration of ADC drug development*

Due to the complexity and high toxicity of ADC drugs, there are extremely high requirements for process development, stability, batch-to-batch consistency and CMC compliance. As a result, ADC drugs have relatively high barriers to entry compared to small molecule and antibody drugs in terms of commercial production technology, facility investment and maintenance, and other aspects. In particular, with the increasing complexity of late-stage clinical and commercialization, the requirements for project development experience and compliance become higher. Cooperation with professional CDMOs can significantly reduce drug development costs, shorten development cycles and reduce operational risks. According to the relevant statistics, the outsourcing rate can be as high as approximately 70%, which is much higher than the 34% outsourcing rate for other biologics.

Statistics show that the global market size of ADC CDMO reached USD1.5 billion in 2022, representing a CAGR of 34.5% from 2018 to 2022, which outpaced the 21.8% CAGR of the overall biopharmaceutical outsourcing services market over the same period. It is expected that the market size of ADC CDMO will grow significantly to USD11.0 billion by 2030, representing a CAGR of 28.4% from 2022 to 2030. At the same time, validated research and development and industrialization platforms that integrate antibodies, ADC drug substances and ADC drug products are very scarce in China. All these factors offered good opportunities and prospects for the development of the Company's ADC CDMO business.

IV. DEVELOPMENT AND COMPETITIVE ADVANTAGES OF CDMO BUSINESS OF TOT BIOPHARM

1. Highlights of CDMO Performance in the First Half of the Year

In 2023, TOT BIOPHARM received strong support from shareholders and strategic partners after successfully implementing the effective strategic transformation of focusing on biological drugs and concentrating efforts on ADC CDMO. The Company expanded its portfolio of early-stage pipeline projects and enhanced its customer stickiness by focusing on the biological drug CDMO business. In the first half of the year, the Company achieved outstanding performance in its CDMO business, with revenue from CDMO/CMO of RMB46,546 thousand, representing a year-on-year increase of 105%. As of 30 June 2023, there were 45 projects in process, representing a year-on-year increase of 96%. With efforts made on the field of ADC, the business scale increased rapidly, of which 28 were ADC projects, accounting for 62% of total projects.

Leveraging its outstanding ADC commercial production capacity and project experience, the Company quickly undertook late-stage clinical projects and accelerated cash flow conversion. In the first half of the year, 20 newly added projects were secured, of which 15 were ADC projects, including 3 newly added pre-BLA ADC projects. 17 pre-IND projects were newly added, including 2 early-stage R&D/testing projects. Such newly added projects are expected to contribute more revenue to the Group in the second half of the year.

2. Facilitating the Broader Development of Bioconjugates Drugs through a Number of Long-term Project Cooperation on ADC CDMO

In the first half of 2023, TOT BIOPHARM entered into a number of in-depth project cooperation with its partners:

- TOT BIOPHARM entered into a close cooperation with Escugen (詩健生物), pursuant to which we will fully assist Escugen in the research and development and production of ADC drugs from late-stage clinical to commercialization, and utilizing our rich practical experience in the whole value chain of drug development to ensure the success of Escugen.

- TOT BIOPHARM established a long-term ADC project cooperation with Lepu Biopharma (樂普生物), pursuant to which we will provide comprehensive services from research and development to clinical and commercialization for its ADC drugs.

- TOT BIOPHARM entered into a strategic cooperation agreement with SmartNuclide (智核生物), pursuant to which the two parties will promote the development of radionuclide-drug conjugates (RDC), an innovative radiopharmaceutical based on conjugation technology. This cooperation demonstrated the strong growth potential of TOT BIOPHARM in the emerging field of drug conjugates.

- TOT BIOPHARM entered into a comprehensive strategic cooperation in the field of CDMO with BioRay (博鋭生物), pursuant to which we will provide BioRay with one-stop CDMO services for various ADC research and development projects, as well as whole process services for drug research and development, and will support BioRay on ADC drugs from research and development to IND, and clinical approval and commercial production in the future.

TOT BIOPHARM Entered into a Strategic Cooperation in the Field of ADC CDMO with BioRay

3. The Company's Differentiated Competitiveness in CDMO

– *3.1 "One-base, end-to-end" ADC industrialization platform*

TOT BIOPHARM, with the establishment of a "one-base, end-to-end" commercial production line that integrates antibodies, ADC drug substances and ADC drug products, has become one of the internationally leading, domestically scarce CDMO service companies that can offer one-stop services from development to commercialization of ADC. It can meet the needs of the whole process of biological drugs from development to commercial production, avoiding the compliance uncertainties associated with domestic segmented production. The Company has the largest ADC commercial production workshop in China, equipped with the most advanced production line for ADC drug products in the industry. The Company has its own production capacity of 20,000L of antibodies and antibody intermediates, 3 ADC conjugation workshops and 2 production lines for ADC drug products, which can meet the current production capacity requirements of most ADC drugs in China. TOT BIOPHARM's headquarters and integrated commercial production workshops are located in Suzhou Industrial Park. With the support of the Suzhou government and regulatory authorities, geographical advantages, established supply chain, stable customer base and excellent talent pool, the Company can meet the needs of the whole process of ADC drugs from early development to commercial production, and ensure stable supply.

– *3.2 Technology platform with continuous iteration*

TOT BIOPHARM continued to build the most competitive ADC CDMO technology platform. In 2023, the Company and GlycanLink (糖嶺生物) launched a cooperation to jointly develop an ADC site-specific conjugation technology platform – DisacLink™. The parties agreed to cooperate on the optimization, process development and commercial amplification of DisacLink™ technology, and to offer this technology as one of the CDMO services of TOT BIOPHARM to provide customers with high-quality development and manufacturing solutions for ADC drugs. In addition, the parties will collaborate on the marketing and commercialization of this technology to expand its global influence and competitiveness. The DisacLink™ technology, one of the site-specific conjugation technologies for third-generation ADC drugs, is characterized by high homogeneity, concise process, short reaction time, mild reaction conditions, and low overall process cost. It has shown good

efficacy and safety in pre-clinical studies of the products. DisacLink™ technology is currently China's most valuable site-specific conjugation technology in terms of application value and one of the world's most advanced site-specific conjugation technologies with independent patents, which will enable the accelerated development of the ADC industry, further unleash the Company's innovation ability, and effectively promote the Company's development.

– *3.3 A validated quality management system that meets international standards*

TOT BIOPHARM has established a quality management system that conforms to commercial production, covering the whole process from research and development to commercialization. At present, it has supported the commercial production of two launched products, and the quality system is continuously regulated by regulations and meets relevant standards. In 2022, the Company passed the EU QP certification with zero defects on the first attempt, enabling it to meet the requirements of project applications in China, the United States, Europe and other countries or regions. TOT BIOPHARM is committed to continuously improving and upgrading the international quality management system in order to provide customers with comprehensive and high-quality services and to become the industry-leading and most trusted partner in biomedicine.

– *3.4 Flexible and diverse production capacity*

TOT BIOPHARM has built a "one-base, end-to-end" commercial production line that integrates antibodies, ADC drug substances and ADC drug products. The Company has the largest commercial production workshop for ADC drug products in China, equipped with the most advanced production equipment for ADC drug products in the industry. The Company has built two production workshops for antibody and antibody intermediate drug substances, equipped with 200L, 500L and 2,000L disposable bioreactors of international leading brands, as well as production facilities for various scales of drug substances, with a total production capacity of more than 20,000L. In terms of the production of ADC drug substances and ADC drug products, the Company has 3 ADC conjugation and drug substances production workshops, and 2 production lines for ADC drug products, which are equipped with high-standard equipment in the industry, and can meet the production capacity requirements of ADC and antibody drugs of various sizes in small trials, pilot tests and commercialization, and realize continuous production of different projects.

– *3.5 Continuously expanded CDMO team*

TOT BIOPHARM continued to introduce key talents and expanded team echelon construction in line with business development. The Company has a mature and stable core CDMO team, consisting of talents with extensive industry experience in fields such as biopharmaceutical process development, commercial production, quality, and regulatory filing. The senior management of the Company has many years of extensive management experience in well-known multinational pharmaceutical companies. The CDMO team has continuously expanded in line with the rapid increase of the Company's CDMO business volume. In the first half of the year, the number of staff of CDMO team increased by 13%, accounting for 80% of the total number of staff of the Group. Among them, the total number of staff of technology research and development, production and quality accounted for 83% of the total number of staff of CDMO team.

– *3.6 Corporate reputation*

Leveraging its advantageous background in research and development of new drugs, TOT BIOPHARM is equipped with the experience in the whole project process from drug research and development to commercial production and launch, and has successfully expanded the CDMO business, gaining trust and recognition from industry partners. We can complete project delivery efficiently with high quality based on in-depth understanding of customer needs and practical solutions. In the first half of 2023, TOT BIOPHARM undertook 3 pre-BLA ADC projects, which fully demonstrated its strong research and development and production capacity for late-stage clinical and commercialization projects, and laid a solid foundation for the medium- and long-term business development of the Company.

V. INDUSTRY-LEADING AND DIVERSE PRODUCTION CAPACITY

1. Commercial Production Bases

With the commercialization of the Company's core products and its strategic transformation, TOT BIOPHARM continued to expand its production capacity to meet customer demand and increase market share. In the first half of 2023, the expansion of commercial production capacity and its results were as follows:

- TOT BIOPHARM's second production line for antibody drug substances was completed and put into production and operation. The production line is equipped with two cell thawing functional rooms as well as 200L, 500L and 2,000L bioreactors, which can meet the needs from clinical to commercial production.

Production Line for Antibody Drug Substances

- TOT BIOPHARM's second and third production lines for ADC drug substances that meet international GMP standards were completed. The production lines are equipped with OEB-5 isolators, flexible production equipment that can be adapted to a variety of ADC conjugation processes, and equipped with 100L, 200L and 500L reaction kettles. The conjugation scale can reach 5 kg/batch.

Production Lines for ADC Drug Substances

- TOT BIOPHARM's second and China's largest commercial production line for ADC drug products was completed and put into use. The filling equipment is Syntegon filling equipment from Germany, equipped with 40m^2 (2*20m^2) Kyowa freeze-drying machines from Japan, which adopt disposable filling system, isolator filling linkage line, automatic feeding and discharging freeze-drying system, can produce freeze-dried products that meets 2R-50R specification, with the fastest running speed of 200 vials/min. The production line adopts rapid transfer port (RTP), equipped with online weighing function and light protection function. The pilot production line adopts 100% full weighing control mode, and the commercial production line adopts statistical sampling weighing module with dual-weighing complementary function. The production line is independently designed for filling, automatic feeding and discharging, and capping, which can realize freeze-drying, injection switching and continuous production.

Isolator Filling Linkage Production Line

2. Layout of the Company's Production Workshops by Category

The layout of TOT BIOPHARM's GMP-compliant ADC CDMO commercial production workshops, which integrate antibodies, ADC drug substances and ADC drug products with leading production capacity in China, is as follows:

Antibody production workshops	
– **Antibody drug substances manufacturing (McAb DS)** 2 independent workshops with annual production capacity of 150 batches, and a designed annual production capacity of 300,000L 200L to 2,000L disposable bioreactors of different scales have been installed to support the production of antibody drug substances, with a total production capacity exceeding 20,000L	
Workshop for antibody drug substances	• Production capacity exceeding 20,000L for different scales of antibody drug substances production, namely commercialization projects, pilot tests and small trials • Disposable bioreactors of international leading brands with flexible and continuous production capability for different projects • Gained GMP certification by NMPA

<table>
<tr><td colspan="2">– Antibody drug products manufacturing (McAb DP)

2 filling lines (including 1 freezing line and 1 injection line)

Annual production capacity of 250 batches, and 18,000 vials/h</td></tr>
<tr><td>Workshops for antibody drug products

(able to meet the needs of injection and freeze-dried products at the same time)</td><td>• International leading brands of Bosch's fully automatic filling injection production line and Steriline's isolator filling linkage production line, which can meet the needs of antibody liquid-injection and freeze-dried products
• Equipped with a 6-DOF clean and sterile robot arm which enjoys enormous advantages of supplementary filling in case of insufficient filling, supplementary provision of rubber stoppers and aluminum caps, minimized tailing loss, high yield and convenient replacement of specifications
• Independent design of automatic filling linkage line, automatic feeding and discharging as well as capping, which can realize freeze-drying (15m^2), liquid injection switching and continuous production, and maximize the utilization of production capacity
• Gained GMP certification by NMPA, which can meet the needs of commercial production of self-developed products and the production of CDMO products</td></tr>
<tr><td colspan="2">ADC production workshops</td></tr>
<tr><td colspan="2">– ADC drug substances manufacturing

3 independent workshops with annual production capacity of 150 batches and a designed annual production capacity of 600 kg

Equipped with OEB-5 isolators for weighing active small molecules, and also equipped with 100L, 200L and 500L disposable coupling reactors, with a conjugation scale of up to 5 kg/batch</td></tr>
<tr><td>Workshop for ADC drug substances</td><td>• International leading brand of Merck's reaction kettles of different scales (5L-500L) and chromatography systems
• Up to conjugation scale of 5 kg/batch
• Completed clinical production and process validation production of multiple batches of ADC drugs, which are compliant with GMP standards and meet commercialization needs</td></tr>
</table>

– ADC drug products manufacturing Top conjugation drug products manufacturing line in China, equipped with isolators and freeze-drying machines of international leading brands, with an annual production capacity of 5.3 million vials Two ADC drug products manufacturing lines that can produce 2R-50R specifications of freeze-dried products, with a maximum running speed of 200 vials/min Equipped with one 5m^2 and two 20m^2 freeze-drying machines, all equipped with fully automatic feeding and discharging systems	
Workshop for ADC drug products	• International leading brands of Syntegon's high-activity isolator filling linkage production lines and Japan-based Kyowa's freeze-drying machines • Specially designed for the production of scarce high-activity products and equipped with OEB-5 isolators to ensure aseptic production while meeting the needs of personnel safety protection • Independent design of automatic filling linkage line, automatic feeding and discharging as well as capping, which can realize freeze-drying, liquid injection switching and continuous production, and maximize the utilization of production capacity • Equipped with a non-toxic conjugation workshop, which can support non-toxic conjugation projects
Small molecule chemical drug manufacturing	
Workshop for oral solid drug products	• Equipped with commercial production capacity for tablet and capsule drug products • Completed clinical production and process validation production of multiple batches in CDMO projects • Gained GMP certification by NMPA regarding the commercial production of self-developed products • Equipped with an independent OEB-5 production line for highly active cytotoxic products

VI. COMMUNICATION WITHIN THE INDUSTRY AND BRAND PROMOTION

In the first half of the year, we focused on stepping up our efforts to promote our brand in biological drug CDMO, shaping a new brand image through diversified industrial cooperation and exchanges, strengthened product exchanges and the consolidation of industry resources, and accurately targeted customer groups. Based on the best delivery results and excellent delivery records, the Company has been highly recognized by customers. By continuously improving service quality, technical capabilities and customer empowerment, the Company has continued to bring value to regular customers in order to build trusting relationships and enhance customer stickiness. TOT BIOPHARM strives to become a leading CDMO company in the field of ADC, XDC, AXC and other broader bioconjugates drugs to enable the rapid development of the industry, and is committed to becoming a professional CDMO partner in the field of global drug development.

- In April 2023, TOT BIOPHARM participated in the 8th China Bio-Pharm Partnering Forum (第八屆中國生物醫藥創新合作大會), and joined discussions with many industry partners on the new trends of biomedicine, in particular the development trend of ADC.

- In May 2023, TOT BIOPHARM, together with PHARMCUBE (醫藥魔方) and many major players in ADC industry, held a salon on the topic of "Innovation Space for Domestic ADC (國產ADC創新空間)" to jointly discuss "How domestic ADC can grow in a challenging environment (國產ADC如何逆流而上)", promoting the development of biomedical industry to a new level.

- In May 2023, TOT BIOPHARM, as a special guest, discussed the production technology and strategy of antibody drugs with industry partners at the 4th BIONNOVA Leaders Forum (第四屆BIONNOVA生物醫藥創新者論壇).

Special Booth of TOT BIOPHARM

At the same time, the CDMO strategic transformation of TOT BIOPHARM has received high attention from the capital market. A number of leading brokerage analysts and institutional investors visited the Company for on-site research, communicated face-to-face with the management, and conducted in-depth exchanges with the Company on its ADC CDMO business development and strategic planning, which gained high recognition from the capital market. The Company's management is confident in the future strategic development of the Company, and will continue to strengthen communication with all sectors in the industry to showcase the Company's latest developments and business highlights.

VII. CORPORATE VISION, MISSION AND VALUES

In response to the Company's strategic transformation, we have reshaped corporate culture to promote the long-term sustainable development of the Company. With a focus on result-oriented and process management, we actively reduce costs and increase efficiency, and carry out technology management. Meanwhile, we pay attention to team communication and cooperation, and have a strong sense of responsibility to improve customer satisfaction and achieve long-term cooperation. We strive to become the industry-leading and most trusted partner in biomedicine.

- Our vision: empowering pharmaceutical innovation to improve the quality of life and safeguard human health
- Our mission: to be an industry-leading and the best customer-trusted partner in biopharmaceuticals
- Our values: people-caring, quality-oriented, professional & efficient, cooperative & win-win, innovative & passionate
- Our slogan: strive for better you

Strive for Better You!

VIII. FUTURE PROSPECTS

With the continued support of technological innovation and medical reform policies, the prospects for the development of the biomedical industry are promising. TOT BIOPHARM will continue to focus on ADC CDMO and expand the number of customers and projects, while actively expanding the domestic and overseas markets for launched drugs and promoting the research and development of early-stage products. The Company will enhance customer stickiness with excellent service quality and regulatory support services. The Company will build a cutting-edge innovative technology platform, accumulate extensive project experience, and actively explore more innovative emerging fields such as XDC, AXC and other broader bioconjugates drugs, so as to provide continuous growth impetus to the Company's development, establish long-term trustworthy cooperative relationships with customers, and promote the high-quality development of the biological drug industry.

Looking to the future, as a China-based company with a global vision, TOT BIOPHARM will actively expand business in overseas markets, gain in-depth understanding of international market needs, and establish good relationships with customers in overseas markets such as Europe, Japan and South Korea. With the recognition gained from overseas partners through its international corporate image, the Company aims to become the best partner for global biomedical customers by providing high-quality and efficient services.

FINANCIAL REVIEW

OVERVIEW

For the first half of 2023, the Group recorded an operating revenue of RMB328,063 thousand, representing an increase of RMB146,044 thousand, or 80%, from RMB182,019 thousand for the same period in 2022. For the first half of 2023, the net loss of the Group was RMB15,163 thousand, representing a decrease of RMB561 thousand, or 4%, from the net loss of RMB15,724 thousand for the same period in 2022. The Group's research and development expenses for the first half of 2023 were RMB49,969 thousand, as compared to RMB70,268 thousand for the same period in 2022. The Group's general and administrative expenses for the first half of 2023 were RMB31,104 thousand, as compared to RMB25,698 thousand for the same period in 2022. The Group's selling expenses for the first half of 2023 were RMB197,376 thousand, as compared to RMB70,091 thousand for the same period in 2022.

OPERATING REVENUE AND COSTS

The Group's diversified revenue mainly includes sales revenue, revenue for providing CDMO/CMO services, etc.

The Group's sales revenue for the first half of 2023 was RMB277,881 thousand, representing an increase of RMB173,711 thousand, or 167%, from RMB104,170 thousand for the same period in 2022, which was mainly due to the significant increase in the sales volume of our core product, Pusintin®, while the corresponding costs also increased accordingly.

The Group's revenue from CDMO/CMO for the first half of 2023 was RMB46,546 thousand, representing an increase of RMB23,889 thousand, or 105%, from RMB22,657 thousand for the same period in 2022, primarily attributable to the continuous increase of CDMO/CMO business segment in the current year, while the costs for raw materials, labor and production, etc. also increased accordingly.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses primarily consist of expenses related to clinical trial research for pipeline product candidates, expenses related to the exploration and development and pre-clinical research of the early-stage pipeline, and expenses related to the enhancement of the Group's CDMO technology platform.

The Group's research and development expenses for the first half of 2023 were RMB49,969 thousand, representing a decrease of RMB20,299 thousand from RMB70,268 thousand for the same period in 2022, which was mainly attributable to the optimization of product pipelines and a convergence of research and development resources.

SELLING EXPENSES

The Group's selling expenses primarily consist of expenses for marketing and promotion activities, salaries and benefits for marketing staff, conference fees, and travelling expenses, etc.

The Group's selling expenses for the first half of 2023 were RMB197,376 thousand, representing an increase of RMB127,285 thousand from RMB70,091 thousand for the same period in 2022, which was mainly attributable to the increase in sales of self-developed products and the increase in marketing and promotion expenses resulting therefrom.

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's general and administrative expenses primarily consist of salaries and benefits for management and administrative staff and expenses for professional services related to legal advisory as well as audit and tax, etc.

The Group's general and administrative expenses for the first half of 2023 were RMB31,104 thousand, representing an increase of RMB5,406 thousand from RMB25,698 thousand for the same period in 2022, which was mainly attributable to the increase in taxation resulting from the increase in sales of self-developed products, and the increase in provision for share-based compensation expenses.

FINANCE INCOME

The Group's finance income is primarily interest income on bank deposits.

The finance income for the first half of 2023 was RMB1,278 thousand, representing an increase of RMB863 thousand from RMB415 thousand for the same period in 2022, which was mainly attributable to the optimization of fund allocation.

FINANCE COSTS

The Group's finance costs are primarily interest expenses on bank borrowings for satisfying operational needs and capital expenditures for capacity enhancement, etc.

The Group's finance costs for the first half of 2023 were RMB2,261 thousand, representing a decrease of RMB1,157 thousand from RMB3,418 thousand for the same period in 2022, mainly due to the repayment of part of the working capital loans.

INCOME TAX EXPENSE

The Group's income tax expense for the first half of 2023 was RMB1 thousand, and no income tax expense was incurred for the same period in 2022.

LOSS FOR THE PERIOD

As a result of the above as a whole, the net loss for the first half of 2023 decreased to RMB15,163 thousand from RMB15,724 thousand for the same period in 2022.

NET ASSETS

The Group's net assets as of 30 June 2023 were RMB708,050 thousand, representing a decrease of RMB7,389 thousand from RMB715,439 thousand as of the end of 2022, which was mainly attributable to the net loss during the current period.

CASH MOVEMENT AND SOURCE OF FUNDS

As at 30 June 2023, the Group's cash and cash equivalents were RMB432,975 thousand, representing an increase of RMB15,206 thousand from RMB417,769 thousand as at the end of 2022. Such change was mainly attributable to the following reasons:

During the first half of 2023, the Group's net cash inflows for operating activities were RMB62,413 thousand, representing an increase of RMB33,561 thousand from RMB28,852 thousand for the same period in 2022, which was mainly attributable to the significant increase in sales revenue and changes in the above-mentioned operating expenses in the current year. The Group's net cash outflows for investing activities for the period were RMB84,748 thousand, representing an increase of RMB21,337 thousand from RMB63,411 thousand for the same period in 2022, which was mainly attributable to the increase in capital investment for enhancing production capacity and promoting the construction of its Global Research and Development Center. The Group's net cash inflows for financing activities were RMB34,085 thousand, representing an increase of RMB702 thousand from RMB33,383 thousand for the same period in 2022, which was mainly attributable to the optimization of capital structure.

INDEBTEDNESS AND KEY LIQUIDITY RATIO

As at 30 June 2023, the Group had outstanding bank borrowings that amounted to RMB328,482 thousand (31 December 2022: RMB287,633 thousand) and had unutilised bank facilities of RMB311,018 thousand (31 December 2022: RMB237,367 thousand). For further details, please refer to note 13 to the interim condensed consolidated financial information.

As at 30 June 2023, the Group's total liabilities to total assets ratio was 0.5 (31 December 2022: 0.4). The increase was mainly attributable to the increase of bank borrowings drawn for promoting the construction of the Global Research and Development Center.

MAJOR INVESTMENT

On 9 November 2021, the Group commenced the construction of its Global Research and Development Center. The proposed total investment for the project is approximately RMB180 million. On 31 December 2021, TOT BIOPHARM Co., Ltd. (a wholly-owned subsidiary of the Company) entered into a construction agreement with Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司), under which the total contract sum payable to Shanghai Baoye Group Corp., Ltd. is RMB83,500 thousand. Further details are set out in the announcement of the Company dated 31 December 2021. During the six months ended 30 June 2023, the Group incurred expenditure of RMB22,419 thousand in connection with the construction agreement entered into with Shanghai Baoye Group Corp., Ltd., and expenditure of RMB57,834 thousand in total in connection with the construction of the Global Research and Development Center.

In 2021, the Group commenced the project of upgrading its ADC commercial production workshops and the project of renovating and upgrading its pilot production workshops for the purpose of increasing its production capacity as well as enhancing its production efficiency. A total of RMB28,618 thousand was incurred by the Group during the six months ended 30 June 2023 in connection with such projects.

Save as disclosed above, the Group did not make any major investment during the six months ended 30 June 2023.

MAJOR ACQUISITIONS AND DISPOSALS

During the first half of 2023, the Group did not have any major acquisitions and disposals of subsidiaries, consolidated affiliated entity or associates.

PLEDGE OF ASSETS

As at 30 June 2023, the Group had no pledge of assets.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE RISK

Certain bank balances and cash, trade receivables and other receivables, contract assets and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign exchange risk. Foreign exchange risk also arises from future commercial transactions and recognized assets and liabilities denominated in a currency other than the functional currency of the relevant group entity. The Group has entities operating in USD, NTD and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

EMPLOYEES AND REMUNERATION

As at 30 June 2023, the Group had a total of 463 employees. The following table sets forth the total number of employees by function as of 30 June 2023:

Function	Number of employees	% in total
Research and development	72	16%
Sales and marketing	21	5%
General and administration	59	13%
Manufacturing	311	67%
Total[(1)]	**463**	**100%**

Note:

(1) Percentage figures included in this table have been subject to rounding. Accordingly, figures shown as totals in this table may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

In the first half of 2023, the Group incurred employee benefit expenses of RMB80,899 thousand, as compared to RMB60,831 thousand in the first half of 2022. The employee benefit expenses of the Group include salaries, wages, bonuses, contributions to employee provident fund and social security funds, payments for other benefits and share-based compensation expenses, etc. In accordance with applicable PRC laws, the Group has made contributions to social security insurance funds, including basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing provident funds for its employees. In accordance with applicable Taiwan laws, the Group has made contributions to social security insurance funds.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Unaudited Six months ended 30 June 2023 RMB'000	2022 RMB'000
Revenue	5	**328,063**	182,019
Cost of revenue		**(78,060)**	(23,478)
Research and development expenses		**(49,969)**	(70,268)
Selling expenses		**(197,376)**	(70,091)
General and administrative expenses		**(31,104)**	(25,698)
Net impairment reversal/(losses) on financial assets		**480**	(923)
Other income and gains – net		**13,390**	1,491
Operating loss		**(14,576)**	(6,948)
Finance income		**1,278**	415
Finance costs		**(2,261)**	(3,418)
Finance costs – net		**(983)**	(3,003)
Share of profits/(losses) of the joint venture accounted for using the equity method		**397**	(5,773)
Loss before income tax	6	**(15,162)**	(15,724)
Income tax expense	7	**(1)**	–
Loss for the period and attributable to the equity holders of the Company		**(15,163)**	(15,724)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation		**3,417**	3,236
Other comprehensive income for the period, net of tax		**3,417**	3,236
Total comprehensive loss for the period and attributable to the equity holders of the Company		**(11,746)**	(12,488)
Loss per share for the six months ended 30 June and attributable to the equity holders of the Company			
– Basic and diluted loss per share (RMB)	8	**(0.02)**	(0.03)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**599,873**	465,328
Prepayments for property, plant and equipment		**49,319**	82,477
Right-of-use assets	9	**14,781**	15,007
Investment properties		**2,984**	3,184
Intangible assets	9	**3,991**	4,648
Investments accounted for using the equity method		**397**	–
Other non-current assets		**15,431**	14,590
		686,776	585,234
Current assets			
Inventories		**109,565**	94,821
Other current assets		**17,545**	38,254
Trade and other receivables	11	**73,466**	53,387
Prepayments		**30,751**	20,012
Contract assets		**13,441**	9,278
Financial assets at fair value through profit or loss	10	**–**	40,278
Restricted cash		**–**	2,998
Cash and cash equivalents		**432,975**	417,769
		677,743	676,797
Total assets		**1,364,519**	1,262,031
EQUITY			
Share capital	12	**2,297,499**	2,297,499
Other reserves		**71,242**	61,911
Accumulated losses		**(1,660,691)**	(1,645,528)
Non-controlling interests		**–**	1,557
Capital and reserves attributable to the equity holders of the Company		**708,050**	715,439

Interim condensed consolidated balance sheet

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	13	**287,382**	212,133
Lease liabilities		**117**	345
Other non-current liabilities		**56,409**	58,767
		343,908	271,245
Current liabilities			
Borrowings	13	**41,100**	75,500
Trade and other payables	14	**257,861**	174,017
Contract liabilities		**7,186**	19,562
Lease liabilities		**1,697**	1,551
Other current liabilities		**4,717**	4,717
		312,561	275,347
Total liabilities		**656,469**	546,592
Total equity and liabilities		**1,364,519**	1,262,031
Net current assets		**365,182**	401,450
Total assets less current liabilities		**1,051,958**	986,684

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Attributable to equity holders of the Company					
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		**2,297,499**	**61,911**	**(1,645,528)**	**713,882**	**1,557**	**715,439**
Loss for the period		**–**	**–**	**(15,163)**	**(15,163)**	**–**	**(15,163)**
Other comprehensive income		**–**	**3,417**	**–**	**3,417**	**–**	**3,417**
Total comprehensive loss		**–**	**3,417**	**(15,163)**	**(11,746)**	**–**	**(11,746)**
Transactions with owners							
Share-based compensation expense		**–**	**7,733**	**–**	**7,733**	**–**	**7,733**
Acquisition of equity interests in subsidiaries from non-controlling interests		**–**	**(1,819)**	**–**	**(1,819)**	**(1,557)**	**(3,376)**
Total transactions with owners		**–**	**5,914**	**–**	**5,914**	**(1,557)**	**4,357**
Balance at 30 June 2023		**2,297,499**	**71,242**	**(1,660,691)**	**708,050**	**–**	**708,050**
Balance at 1 January 2022		1,892,906	37,797	(1,595,612)	335,091	–	335,091
Loss for the period		–	–	(15,724)	(15,724)	–	(15,724)
Other comprehensive income		–	3,236	–	3,236	–	3,236
Total comprehensive loss		–	3,236	(15,724)	(12,488)	–	(12,488)
Transactions with owners							
Share-based compensation expense		–	5,565	–	5,565	–	5,565
Total transactions with owners		–	5,565	–	5,565	–	5,565
Balance at 30 June 2022		1,892,906	46,598	(1,611,336)	328,168	–	328,168

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2023	2022 Restated
	RMB'000	RMB'000
Cash generated from operating activities		
Net cash generated from operations	**61,135**	28,437
Interest received	**1,278**	415
Net cash generated from operating activities	**62,413**	28,852
Cash flow used in investing activities		
Purchase and prepayment of property, plant and equipment	**(125,776)**	(57,872)
Purchase of intangible assets	**(187)**	(405)
Proceeds from disposal of property, plant and equipment	**–**	16
Investment in financial assets at fair value through profit or loss	**(280,000)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**321,215**	–
Cash injection into a joint venture	**(3,000)**	(5,150)
Proceeds from disposal of interests in joint venture	**3,000**	–
Net cash used in investing activities	**(84,748)**	(63,411)
Cash flows generated from financing activities		
Proceeds from bank borrowings	**116,350**	100,000
Repayments of bank borrowings	**(75,500)**	(61,191)
Payment of lease liabilities	**(1,205)**	(815)
Acquisition of equity interests from non-controlling interests	**(3,376)**	–
Interest paid	**(2,184)**	(4,611)
Net cash generated from financing activities	**34,085**	33,383
Net increase/(decrease) in cash and cash equivalents	**11,750**	(1,176)
Cash and cash equivalents at beginning of the period	**417,769**	152,805
Effects of exchange rate changes on cash and cash equivalents	**3,456**	3,247
Cash and cash equivalents at end of the period	**432,975**	154,876

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

TOT BIOPHARM International Company Limited (the "Company") was incorporated in Hong Kong on 4 December 2009 as a company with limited liability under the Hong Kong Law. The address of its registered office is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are primarily engaged in research and development ("R&D"), manufacturing, and marketing of anti-tumor drugs, contract development and manufacturing organization ("CDMO")/contract manufacture organization ("CMO") business and license-out of self-developed biological drugs in the People's Republic of China (the "PRC").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 November 2019.

These financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 11 August 2023.The financial statements have not been audited.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with HKAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

The financial information relating to the year ended 31 December 2022 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Standards	Key requirements	Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

i> right-of-use assets and lease liabilities, and

ii> decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The amendments to HKAS 12 did not have any impact on the Group's financial performance and position in prior and current periods and hence no adjustment was made to the beginning retained earnings, or another component of equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(b) Impact of standards issued but not yet applied by the Group

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the period are as follows:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group's operation.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the risk management mechanism since the year ended 31 December 2022 or in any risk management policies since the year end.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2023

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Trade and other payables (Note 14)	**233,792**	**–**	**–**	**–**
Other non-current liabilities	**–**	**–**	**4,000**	**6,031**
Borrowings (including interest payables)	**53,512**	**105,325**	**139,257**	**78,666**
Lease liabilities (including interest payables)	**1,725**	**124**	**–**	**–**
	289,029	**105,449**	**143,257**	**84,697**

As at 31 December 2022

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Trade and other payables (Note 14)	143,195	–	–	–
Other non-current liabilities	–	–	4,000	6,031
Borrowings (including interest payables)	85,001	15,732	193,553	24,826
Lease liabilities (including interest payables)	1,619	346	–	–
	229,815	16,078	197,553	30,857

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, trade and other receivables (excluding prepayments), contract assets, borrowings and accruals and other payables) approximate their fair values.

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated balance sheet at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (For example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no Group's assets that were measured at fair value at 30 June 2023. And the following table presents the Group's assets that were measured at fair value at 31 December 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit and loss	–	–	40,278	40,278

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the six months ended 30 June 2023 (For the six months ended 30 June 2022: same).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the period for the six months ended 30 June 2023 (For the six months ended 30 June 2022: same).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 2022 annual report.

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments and principal activities

The Group is mainly engaged in the research and development, manufacturing, selling of anti-tumor drugs, CDMO/CMO business and license-out of self-developed biological drugs. The outcome of the Group's research and development activities will be given preference to be used by the Group for its own commercialization. There is one team managing and operating all revenue streams. Accordingly, management considers there is only one segment and hence no segment information is presented.

(b) The amount of each category of revenue is as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
At a point in time:		
– Sales of goods	**277,881**	104,170
– CMO	**20,492**	8,918
– Commission revenue	**3,391**	4,732
– Revenue from license granted	**–**	49,434
– Others	**109**	130
Over time:		
– CDMO	**26,054**	13,739
– Others	**136**	896
	328,063	182,019

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(c) The following table presents the analysis of contract assets and contract liabilities related to the above-mentioned arrangements.

	30 June 2023 RMB'000	31 December 2022 RMB'000
Contract assets:		
– CDMO/CMO	**12,182**	7,067
– Sales commission	**1,259**	2,211
	13,441	9,278
Contract liabilities:		
– CDMO/CMO (i)	**(6,087)**	(18,420)
– Sales of goods	**(1,099)**	(1,142)
	(7,186)	(19,562)

(i) Contract liabilities arise from CDMO and CMO which are recognized when the advances are received before the services are rendered to customers.

(d) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period		
– Service revenue – CDMO/CMO	**17,227**	7,430
– Sales of goods	**1,138**	–
	18,365	7,430

5 SEGMENT AND REVENUE INFORMATION *(cont'd)*

(e) Unfulfilled long-term contracts

In January 2017, the Group entered into an agreement with a pharmaceutical company for licensing one of its bio-pharmaceutical know-how to the customer for development and commercialization for a period of 10 years.

The license contract includes an upfront fee, certain development-milestone payments and commercial-milestone payments of RMB84,500,000 (including tax) in aggregate. The contract also includes sales-based royalties. The Group has received the upfront payment and development milestone payments of RMB55,500,000 (including tax) in total as at 30 June 2023. For the six months ended 30 June 2023, there was no development milestone and commercial milestone achieved by the Group (For the six months ended 30 June 2022: certain development milestone of RMB32,400,000 (including tax) was achieved). The Group is entitled to receive up to an aggregate of RMB29,000,000 (including tax) upon the achievement of additional development and commercial milestones.

In January 2022, the Group entered into an agreement with a pharmaceutical company for licensing one of its biological antibody drugs to the customer for development and commercialization in certain overseas regions (the "Cooperation Area") for 10 years after the date of obtaining the marketing authorization by the first regulatory authority in the Cooperation Area.

The license contract includes an upfront fee and certain development milestone payments of RMB30,000,000 (including tax) in aggregate. The contract also includes sales-based royalties. For the six months ended 30 June 2023, there was no development milestone and commercial milestone achieved by the Group (For the six months ended 30 June 2022: certain development milestone of RMB20,000,000 (including tax) was achieved). The Group is further entitled to receive up to an aggregate of RMB5,000,000 (including tax) upon the achievement of additional specified milestones related to the development and regulatory approval of the biological antibody drugs.

Contract duration of CDMO/CMO services are generally for periods of one year or less. As permitted under HKFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(f) Geographical information

Geographical information of revenue and non-current assets other than financial assets for the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June			
	2023		2022	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	RMB'000	**RMB'000**	RMB'000	RMB'000
Mainland China	**328,063**	**671,034**	182,019	422,720
Others	**–**	**314**	–	387
	328,063	**671,348**	182,019	423,107

Notes to the interim condensed consolidated financial information

6 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Loss before taxation has been arrived at after charging:		
– Promotion and advertisement expenses	**190,576**	65,708
– Employee benefit expenses	**80,899**	60,831
– Clinical trials (exclude employee benefit expenses)	**5,674**	8,431
– R&D materials and consumables	**2,828**	4,515
– Depreciation and amortisation charge (Note 9)	**18,672**	18,681

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
Current income tax expenses		
– Adjustment for current income tax of prior year	**1**	–
Deferred income tax expense	**–**	–
	1	–

Income tax expenses is recognized based on the management's estimate of the annual income tax rate expected for the full financial year.

8 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by weighted average number of ordinary shares issued during the period.

	Six months ended 30 June	
	2023	2022
Loss attributable to equity holders of the Company (RMB'000)	**(15,163)**	(15,724)
Weighted average number of ordinary shares in issue (thousand)	**725,197**	575,197
Basic loss per share (RMB)	**(0.02)**	(0.03)

8 LOSS PER SHARE *(cont'd)*

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2023, the Company had one category of potential ordinary shares: the stock options granted to employees (For the six months ended 30 June 2022: same). As the Group incurred losses for the six months ended 30 June 2023 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2023 and 2022 is the same as basic loss per share of the respective periods.

9 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT OF USE ASSETS

	Property, plant and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
Six months ended 30 June 2023			
Opening net book amount as at 1 January 2023	**465,328**	**4,648**	**15,007**
Additions	**151,173**	**188**	**1,636**
Depreciation and amortisation charge	**(16,583)**	**(845)**	**(1,244)**
Disposals	**(57)**	**–**	**(618)**
Net exchange differences	**12**	**–**	**–**
Closing net book amount as at 30 June 2023	**599,873**	**3,991**	**14,781**

	Property, plant and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
Six months ended 30 June 2022			
Opening net book amount as at 1 January 2022	307,668	5,123	15,733
Additions	63,619	537	634
Depreciation and amortisation charge	(17,012)	(801)	(868)
Disposals	(96)	–	–
Net exchange differences	(9)	–	(2)
Closing net book amount as at 30 June 2022	354,170	4,859	15,497

Notes to the interim condensed consolidated financial information

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Opening balance as at 1 January	**40,278**	–
Additions	**280,000**	–
Changes in the fair value of financial assets at fair value through profit or loss	**937**	–
Disposal	**(321,215)**	–
Closing balance as at 30 June	**–**	–

11 TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables (a)	**70,643**	49,721
Less: provision for impairment of trade receivables	**(117)**	(597)
Trade receivables – net	**70,526**	49,124
Other receivables (b)	**2,940**	4,263
Trade and other receivables	**73,466**	53,387

(a) Trade receivables

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	**70,643**	49,721

Customers are generally granted with credit terms ranging from 45 to 90 days.

11 TRADE AND OTHER RECEIVABLES *(cont'd)*

(a) Trade receivables *(cont'd)*

As of 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 30 days	**43,235**	28,716
31 days to 90 days	**25,305**	17,490
91 days to 180 days	**839**	2,210
181 days to 270 days	**816**	1,298
271 days to 360 days	**448**	7
	70,643	49,721

The carrying amounts of the Group's trade receivables are denominated in RMB and approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

(b) Other receivables

	30 June 2023 RMB'000	31 December 2022 RMB'000
Deposits	**2,500**	3,181
Others	**440**	1,082
Other receivables	**2,940**	4,263

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	30 June 2023 RMB'000	31 December 2022 RMB'000
RMB	**73,524**	53,622
USD	**59**	362
	73,583	53,984

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate their fair values.

Notes to the interim condensed consolidated financial information

12 SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
As at 1 January 2022 (Audited)	615,229,497	1,892,906
Issue of shares to shareholders (Note (a))	150,000,000	404,593
Issue of shares for 2022 Restricted Shares Award Scheme (Note(b))	7,558,390	–
As at 31 December 2022 (Audited)	772,787,887	2,297,499
As at 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	772,787,887	2,297,499

Note (a) On 29 July 2022, the Company allotted and issued 150,000,000 subscription shares at the price of HKD3.15 per share to two shareholders: (i) Center Laboratories, Inc. has been allotted and issued 33,750,000 subscription shares; and (ii) Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) has been allotted and issued 116,250,000 subscription shares. The two shareholders injected capital of approximately HKD472,500,000 (equivalent to approximately RMB405,788,000) in total. The gross proceeds, net of transaction costs, are capitalized as share capital accordingly.

Note (b) On 1 November 2022, the Company allotted and issued 7,558,390 ordinary shares to certain trustees at a subscription price of zero under the Company's 2022 Restricted Share Award Scheme. These award shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance.

As at 30 June 2023 and 31 December 2022, a total of 47,590,948 ordinary shares are within the Company's control until the shares are vested to the participants and hence are considered as treasury shares in substance.

13 BORROWINGS

	30 June 2023 RMB'000	31 December 2022 RMB'000
Current		
– Unsecured bank borrowings (Note (a))	**41,100**	75,500
Non-current		
– Unsecured bank borrowings (Note (b))	**287,382**	212,133
	328,482	287,633

Note (a): As at 30 June 2023, bank loans of RMB41,100,000 are unsecured, will be repayable within one year and bear annual interest rate ranging from 2.95% to 4.00% with undrawn facilities up to RMB230,000,000 (As at 31 December 2022: RMB75,500,000, from 3.80% to 4.00%, RMB100,000,000).

Note (b): As at 30 June 2023, bank loans of RMB287,382,000 are unsecured, will be repayable over one year and bear annual interest rate ranging from 3.50% to 4.20% with undrawn facilities up to RMB81,018,000 for specific use on construction of plant, production line and equipment (As at 31 December 2022: RMB212,133,000, 3.80% to 4.25%, RMB137,367,000).

13 BORROWINGS *(cont'd)*

As at 30 June 2023 and 31 December 2022, the Group's bank borrowings were repayable as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	**41,100**	75,500
Between 1 and 2 years	**94,220**	7,294
Between 2 and 5 years	**126,691**	183,937
Over 5 years	**66,471**	20,902
	328,482	287,633

The weighted average effective interest rates at each balance sheet date were as follows:

	30 June 2023	31 December 2022
Bank borrowings	**3.94%**	3.89%

The carrying amounts of the Group's borrowings are denominated in RMB.

The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

As at 30 June 2023, the Group has unutilised bank facilities of RMB311,018,000 (As at 31 December 2022: RMB237,367,000).

14 TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Accrued promotion expenses	**150,590**	77,780
Trade payables	**42,274**	25,983
Payables for purchase of property, plant and equipment	**20,151**	12,072
Staff salaries and welfare payables	**16,924**	21,944
Refund liabilities	**5,109**	5,987
Tax payable	**1,627**	2,537
Deposits payables	**1,352**	15,502
Others	**19,834**	12,212
	257,861	174,017

14 TRADE AND OTHER PAYABLES *(cont'd)*

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade payables based on invoice date are as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	**37,002**	24,982
3 months to 6 months	**3,241**	724
6 months to 12 months	**2,031**	133
1 year to 2 years	**–**	76
2 years to 3 years	**–**	68
	42,274	25,983

The Group's trade and other payables are denominated in the following currencies:

	30 June 2023 RMB'000	31 December 2022 RMB'000
– RMB	**256,360**	171,865
– NTD	**380**	1,011
– HKD	**295**	586
– USD	**826**	555
	257,861	174,017

15 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 (Year ended 31 December 2022: Nil).

16 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Property, plant and equipment	**135,248**	120,668

(b) Investment commitments

The investment of the Group to the joint venture but not yet injected is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Huayao Pharmaceutical (Suzhou) Company Limited ("Huayao Suzhou")	**20,250**	26,250

17 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2023 and 2022, and balances arising from related party transactions as at 30 June 2023 and 31 December 2022.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Center Laboratories, Inc.	Entity having significant influence over the Company
Lumosa Therapeutics Co., Ltd.	Associate of Center Laboratories, Inc.
Huayao Suzhou	Joint venture of the Company

17 RELATED PARTY TRANSACTIONS *(cont'd)*

(b) Transactions with related parties

(i) Rental expenses charged by related parties

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Lumosa Therapeutics Co., Ltd.	**–**	41

(ii) Service expenses charged by related parties

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Huayao Suzhou	**6,235**	–

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of underlying agreements.

(c) Balances with related parties

(i) Payables on rental expenses

	30 June 2023 RMB'000	31 December 2022 RMB'000
Lumosa Therapeutics Co., Ltd.	**–**	14

(ii) Other receivables from related parties

	30 June 2023 RMB'000	31 December 2022 RMB'000
Huayao Suzhou	**17**	680

17 RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Balances with related parties *(cont'd)*

(iii) Prepayments on service expenses

	30 June 2023 RMB'000	31 December 2022 RMB'000
Huayao Suzhou	**658**	–

(iv) Payables on service expenses

	30 June 2023 RMB'000	31 December 2022 RMB'000
Huayao Suzhou	**3,407**	–

(d) Leasing arrangements

In October 2021, the Group entered into a 15-month office rental contract with Lumosa Therapeutics Co., Ltd. in substitution. The lease terms and prices were determined in accordance with mutual agreement, and rental payments are made on a monthly basis.

(i) Rental Payment:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Lumosa Therapeutics Co., Ltd.	–	41

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests or short positions of the Directors or chief executives of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director or chief executive	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Dr. Liu, Jun	Interest through equity derivatives[3]	1,100,000 (L)	0.14%
	Beneficiary of a trust[4]	5,699,999 (L)	0.74%
Ms. Yeh-Huang, Chun-Ying	Beneficial owner	5,465,700 (L)	0.71%
	Interest through equity derivatives[3]	1,162,500 (L)	0.15%
	Beneficiary of a trust[4]	2,897,383 (L)	0.37%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 772,787,887 Shares in issue as at 30 June 2023 and rounded off to two decimal places.

(3) These interests represent the interests in Shares underlying the Pre-IPO Share Options (being unlisted physically-settled equity derivatives) held by Dr. Liu, Jun and Ms. Yeh-Huang, Chun-Ying, respectively.

(4) These interests represent the Restricted Award Shares held by Teeroy Limited on trust for Dr. Liu, Jun and Ms. Yeh-Huang, Chun-Ying, respectively.

Save as disclosed above, as at 30 June 2023, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in shares or underlying shares of the Company

Name of Shareholder	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Center Laboratories, Inc.	Beneficial owner	213,311,700 (L)	27.60%
Mr. Pang Kee Chan Hebert[3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital Partners II Limited[3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital II L.P. [3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital II Master Investment Limited[3]	Interest in controlled corporation	49,136,800 (L)	6.36%
Advantech Capital Investment V Limited[3]	Beneficial owner	49,136,800 (L)	6.36%
Chengwei Evergreen Management, LLC[4]	Interest in controlled corporation	56,573,500 (L)	7.32%
Chengwei Evergreen Capital, L.P.[4]	Interest in controlled corporation	56,573,500 (L)	7.32%
Prime Success International Limited[4]	Beneficial owner	56,573,500 (L)	7.32%
Vivo Capital LLC[5]	Interest in controlled corporation	103,245,000 (L)	13.36%
Vivo Capital VIII, LLC[5]	Interest in controlled corporation	103,245,000 (L)	13.36%
Vivo Capital Fund VIII, L.P.[5]	Beneficial owner	90,718,100 (L)	11.74%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Interests in shares or underlying shares of the Company *(cont'd)*

Name of Shareholder	Nature of interest	Number of Shares interested[1]	Approximate percentage of interest in the Company[2]
Suzhou Vivo Management Consulting Partnership (Limited Partnership)[6]	Interest in controlled corporation	116,250,000 (L)	15.04%
Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership)[6]	Beneficial owner	116,250,000 (L)	15.04%
Tricor Trust (Hong Kong) Limited[7]	Trustee	38,993,566 (L)	5.05%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 772,787,887 Shares in issue as at 30 June 2023 and rounded off to two decimal places.

(3) Advantech Capital Investment V Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands, directly held 49,136,800 Shares. Advantech Capital Investment V Limited is wholly owned by Advantech Capital II Master Investment Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, which is in turn wholly owned by Advantech Capital II L.P., a private equity fund incorporated under the laws of the Cayman Islands. The general partner of Advantech Capital II L.P. is Advantech Capital Partners II Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands. Advantech Capital Partners II Limited is wholly owned by Mr. Pang Kee Chan Hebert. For the purpose of the SFO, Advantech Capital II Master Investment Limited, Advantech Capital II L.P., Advantech Capital Partners II Limited and Mr. Pang Kee Chan Hebert are deemed to have an interest in the Shares held by Advantech Capital Investment V Limited.

(4) Prime Success International Limited directly held 56,573,500 Shares. Prime Success International Limited is a company with limited liability incorporated under the laws of Hong Kong, which is wholly owned by Chengwei Evergreen Capital, L.P., a venture capital fund incorporated under the laws of the Cayman Islands. The general partner of Chengwei Evergreen Capital, L.P. is Chengwei Evergreen Management, LLC, a limited liability company incorporated under the laws of the Cayman Islands. For the purpose of the SFO, Chengwei Evergreen Capital, L.P. and Chengwei Evergreen Management, LLC are deemed to have an interest in the Shares held by Prime Success International Limited.

(5) Vivo Capital Fund VIII, L.P. directly held 90,718,100 Shares, and Vivo Capital Surplus Fund VIII, L.P. directly held 12,526,900 Shares. Both Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. (referred to collectively as "Vivo Capital") are limited partnerships organized under the laws of the State of Delaware of the United States. The general partner of Vivo Capital is Vivo Capital VIII, LLC, which is registered in the State of Delaware of the United States. Vivo Capital LLC, registered in the State of California of the United States, serves as the management company of Vivo Capital and has a form of advisory agreement with Vivo Capital VIII, LLC. For the purpose of the SFO, Vivo Capital VIII, LLC and Vivo Capital LLC are deemed to have an interest in the Shares held by Vivo Capital.

(6) Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) directly held 116,250,000 Shares. Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) is a limited partnership organized under the laws of the PRC. The general partner of Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) is Suzhou Vivo Management Consulting Partnership (Limited Partnership), which is a limited partnership organized under the laws of the PRC. For the purpose of the SFO, Suzhou Vivo Management Consulting Partnership (Limited Partnership) is deemed to have an interest in the Shares held by Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership).

(7) Tricor Trust (Hong Kong) Limited directly held 38,993,566 Shares as trustee of a trust established by the trust deed dated 29 May 2020 entered into with the Company in connection with the Restricted Share Award Scheme for the benefit of participants who are not connected persons of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Save as disclosed above, as at 30 June 2023, no person, other than the Directors or chief executives of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or Any of its Associated Corporations" in this report, had any interests or short positions in the Shares or underlying Shares as disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

On 20 February 2013, the Company adopted the Pre-IPO Share Option Scheme with an aim to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders. The Pre-IPO Share Option Scheme was subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019. No further Pre-IPO Share Options may be granted on or after the Listing Date.

The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. For details of the Pre-IPO Share Option Scheme (including the basis of determining the exercise price), please refer to pages V-36 to V-47 of the Prospectus and Note 27 to the consolidated financial statements in the annual report for the year ended 31 December 2022.

Details of the movements of the Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2023 are as follows:

				Number of Shares underlying the Pre-IPO Share Options				
Date of grant	Date of vesting	Exercise period	Exercise price (per Share)	Outstanding as at 31 December 2022	Granted (during the six months ended 30 June 2023)	Exercised (during the six months ended 30 June 2023)	Cancelled/ Lapsed (during the six months ended 30 June 2023)	Outstanding as at 30 June 2023
1. Dr. Liu Jun (Director)								
25 December 2017	Vested in four equal installments on 1 January 2019, 2020, 2021 and 2022	From the date of vesting till 24 December 2027	Approximately US$0.286	1,000,000	–	–	–	1,000,000
21 January 2019	To be vested in five equal installments at the fulfillment of certain R&D targets and the second, third, fourth and fifth anniversaries thereof [1]	From the date of vesting till 20 January 2029	Approximately US$0.286	100,000	–	–	–	100,000

PRE-IPO SHARE OPTION SCHEME *(cont'd)*

Date of grant	Date of vesting	Exercise period	Exercise price (per Share)	Number of Shares underlying the Pre-IPO Share Options				
				Outstanding as at 31 December 2022	Granted (during the six months ended 30 June 2023)	Exercised (during the six months ended 30 June 2023)	Cancelled/ Lapsed (during the six months ended 30 June 2023)	Outstanding as at 30 June 2023
2. Ms. Yeh-Huang, Chun-Ying (Director)								
20 February 2013	All vested	Till 19 February 2023	Approximately US$0.286	0	–	–	–	0
14 December 2017	Vested in four equal installments at each of the first four anniversaries of the date of grant	From the date of vesting till 13 December 2027	Approximately US$0.286	1,162,500	–	–	–	1,162,500
3. Consultants								
Between 10 February 2018 and 30 January 2019	To be vested from one to six years from the date of grant	Generally, from the date of vesting till the date which is one day preceding the tenth anniversary of the date of grant	Approximately US$0.286	310,000	–	–	–	310,000
4. Senior Management and Other Employee Grantees								
Between 20 February 2013 and 18 June 2019	Either vested or to be vested from one to six years from the date of grant or to be vested from zero to five years from the fulfillment of certain R&D targets[1]	Generally, from the date of vesting till the date which is one day preceding the tenth anniversary of the date of grant	Approximately US$0.286	6,092,600	–	–	127,000	5,965,600
Total				**8,665,100**	**–**	**–**	**127,000**	**8,538,100**[2]

Notes:

(1) The fulfillment of the relevant R&D targets occurred on 1 March 2022.

(2) The number of Shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme of the Company amounted to 8,538,100 Shares, which represents approximately 1.18% of the weighted average number of Shares in issue for the six months ended 30 June 2023.

RESTRICTED SHARE AWARD SCHEME

On 29 May 2020, the Company adopted the Restricted Share Award Scheme with an aim (i) to attract and retain talent necessary for the Group's development, and to incentivize the Group's employees and enhance their cohesion and productivity, thereby creating value for the Company and its Shareholders; and (ii) to compensate participants of the Pre-IPO Share Option Scheme for the dilutive effect of the capitalization issue in connection with the Global Offering on their Pre-IPO Share Options. On the same day, the Company entered into two trust deeds with the respective trustees to constitute the trusts in connection with the Restricted Share Award Scheme for the purpose of the grant of Restricted Award Shares to selected participants (who may be employees (including Directors) of or consultants to the Group) from time to time. The Restricted Share Award Scheme was subsequently amended on 29 July 2020, 23 December 2021 and 1 November 2022. The Restricted Share Award Scheme shall remain valid and effective for a period of ten years from the date of adoption and its remaining life is approximately 7 years.

The aggregate number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme may not exceed 57,000,000 Shares and the maximum number of Shares which may be granted to a selected participant at any time or in aggregate may not exceed 5,700,000 Shares. Pursuant to the terms of the Restricted Share Award Scheme, the maximum number of Shares which may be allotted and issued to the trustees under the Restricted Share Award Scheme during each financial year from 2021 onwards is 14,250,000 Shares. On 23 December 2021, the Board resolved to further amend the terms of the Restricted Share Award Scheme with regards to unvested Shares (i.e. Restricted Award Shares that have failed to vest or have lapsed in respect of a grantee). See the Company's announcement dated 23 December 2021 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Issue of New Shares under General Mandate (3) Amendment to Scheme Rules" for further details of the amendment.

On 29 May 2020, following the adoption of the Restricted Share Award Scheme, the Board resolved to make a grant of 31,413,796 Restricted Award Shares to 84 grantees (including two Directors) under the Restricted Share Award Scheme; subsequently, on 28 December 2020, 30,466,697 Shares were allotted and issued to the trustees. On 23 December 2021, the Board resolved to make a grant to 28 grantees (not including any Director) involving a total of 13,700,000 Restricted Award Shares; subsequently, on 30 December 2021, 13,700,000 Shares were allotted and issued to the relevant trustee. On 1 November 2022, the Board resolved to make a further grant to 8 grantees (including Dr. Liu, Jun, our executive Director) involving a total of 7,558,390 Restricted Award Shares; subsequently, on 30 December 2022, 7,558,390 Shares were allotted and issued to the relevant trustees.

As at 30 June 2023, the remaining number of Shares capable of being allotted and issued to the trustees under the Restricted Share Award Scheme was 5,274,913 Shares, representing approximately 0.68% of the number of Shares in issue as at the date of this report (31 December 2022: 5,274,913 Shares), and the number of unvested Shares held by Tricor Trust (Hong Kong) Limited and capable of being reallocated to other non-connected person grantees under the Restricted Share Award Scheme was 10,330,831 Shares (31 December 2022: 8,474,304 Shares).

For further details of the Restricted Share Award Scheme (including the basis of determining the grant consideration), please refer to pages 8 to 21 of the Company's circular dated 3 August 2020, its announcement dated 23 December 2021 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Issue of New Shares under General Mandate (3) Amendment to Scheme Rules", its announcement dated 1 November 2022 titled "(1) Grant of Award Shares under Restricted Share Award Scheme (2) Connected Transaction Involving Issue of New Shares under Specific Mandate to Trustee Holding Shares on Trust for Connected Persons (3) Issue of New Shares under General Mandate to Trustee Holding Shares on Trust for Non-connected Persons (4) Housekeeping Amendments to Scheme Rules", its circular dated 8 December 2022 titled "Grant of Award Shares under Restricted Share Award Scheme Involving Issue of New Shares under Specific Mandate, Connected Transaction Involving Issue of New Shares to Trustee Holding Shares on Trust for Connected Persons, and Notice of Extraordinary General Meeting" and Note 27 to the consolidated financial statements in the annual report for the year ended 31 December 2022.

RESTRICTED SHARE AWARD SCHEME *(cont'd)*

Details of the movements of the Restricted Award Shares granted under the Restricted Share Award Scheme during the six months ended 30 June 2023 are as follows:

Trustee	Date of grant	Grant consideration (per Share)[1]	Number of Restricted Award Shares: Outstanding as at 31 December 2022	Granted, and allotted and issued to trustees (during the six months ended 30 June 2023)	Vested (during the six months ended 30 June 2023)	Lapsed (during the six months ended 30 June 2023)	Outstanding as at 30 June 2023	Earliest vesting date[1]	Expiry date
1. Grantee: Dr. Liu, Jun (Director)									
Teeroy Limited	29 May 2020	US$0.28634	623,093	–	–	–	623,093	1 January 2019	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2020	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2021	24 December 2027
		US$0.28634	623,093	–	–	–	623,093	1 January 2022	24 December 2027
		US$0.28634	49,848	–	–	–	49,848	The date of the fulfillment of certain R&D targets[2]	20 January 2029
		US$0.28634	49,848	–	–	–	49,848	The second anniversary of the fulfillment of certain R&D targets[2]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The third anniversary of the fulfillment of certain R&D targets[2]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fourth anniversary of the fulfillment of certain R&D targets[2]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fifth anniversary of the fulfillment of certain R&D targets[2]	20 January 2029
	1 November 2022	HK$0.6	1,035,436	–	–	–	1,035,436	The later of 31 March 2023 and the date of the fulfillment of certain R&D targets[2]	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
		HK$0.6	1,183,356	–	–	–	1,183,356	The later of 31 March 2024 and the date of the fulfillment of certain R&D targets[2]	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
		HK$0.6	739,598	–	–	–	739,598	The later of 31 March 2025 and the date of the fulfillment of certain R&D targets[2]	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
			5,699,999	–	–	–	5,699,999		

RESTRICTED SHARE AWARD SCHEME *(cont'd)*

Trustee	Date of grant	Grant consideration (per Share)[1]	Number of Restricted Award Shares: Outstanding as at 31 December 2022	Granted, and allotted and issued to trustees (during the six months ended 30 June 2023)	Vested	Lapsed	Outstanding as at 30 June 2023	Earliest vesting date[1]	Expiry date
2. Grantee: Ms. Yeh-Huang, Chun-Ying (Director)									
Teeroy Limited	29 May 2020	US$0.28634	965,795	–	–	–	965,795	14 December 2019	13 December 2027
		US$0.28634	965,794	–	–	–	965,794	14 December 2020	13 December 2027
		US$0.28634	965,794	–	–	–	965,794	14 December 2021	13 December 2027
			2,897,383	–	–	–	2,897,383		
3. Consultants									
Tricor Trust (Hong Kong) Limited	29 May 2020	US$0.28634	772,634	–	–	–	772,634	Various dates, from the date of grant up to 30 January 2025	Various dates
			772,634	–	–	–	772,634		
4. Senior management and other employee grantees									
Tricor Trust (Hong Kong) Limited	29 May 2020	US$0.28634	13,546,628	–	–	316,527	13,230,101	Various dates, some of which are linked to the fulfillment of certain R&D targets [2]	Various dates
	23 December 2021	HK$0.6	11,600,000	–	–	1,540,000	10,060,000	Various dates, which are linked to the fulfillment of certain business and R&D targets	28 May 2030
	1 November 2022	HK$0.6	4,600,000	–	–	–	4,600,000	Various dates, which are linked to the fulfillment of a performance target relating to the CDMO/CMO business of the Group	The date of the termination of the Restricted Share Award Scheme (currently expected to be 28 May 2030)
			29,746,628	–	–	1,856,527	27,890,101		
Total			**39,116,644**	**–**	**–**	**1,856,527**	**37,260,117**[3]		

Notes:

(1) Pursuant to the scheme rules, the grant consideration is to be paid by a selected participant to the Company as a condition to the vesting of his/her Restricted Award Shares on or after the relevant vesting date, but not when the Restricted Award Shares are allotted and issued to the relevant trustee. The exact vesting date in respect of a Restricted Award Share is subject to the receipt of the full amount of the grant consideration by the Company in respect of such Restricted Award Share from the relevant selected participant.

(2) The fulfillment of the relevant R&D targets occurred on 1 March 2022.

(3) The 37,260,117 Restricted Award Shares which were outstanding as at 30 June 2023 have already been allotted and issued to the relevant trustees at various dates shortly after the relevant date of grant.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the six months ended 30 June 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company, or had exercised any such right.

REVIEW BY AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE

The Audit and Connected Transactions Review Committee of the Company has reviewed the financial reporting processes, risk management and internal control systems of the Group and the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023, and is of the opinion that these statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure has been made.

DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. The Board is of the view that during the six months ended 30 June 2023, the Company has complied with all the applicable code provisions as set out in Part 2 of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2023 and up to the date of this report.

USE OF NET PROCEEDS FROM THE SUBSCRIPTIONS

On 31 May 2022, the Company entered into subscription agreements with Center Laboratories, Inc. ("Centerlab") and Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) ("Vivo Suzhou Fund") respectively, pursuant to which Centerlab and Vivo Suzhou Fund conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue to them a total of 150,000,000 shares (the "Subscription Shares") at the subscription price of HKD3.15 per share (the "Subscriptions").

The subscription agreements and transactions contemplated thereunder were subject to, among other things, the approval by the independent shareholders of the Company at the extraordinary general meeting held on 22 July 2022, and the Listing Committee of the Stock Exchange approving the listing of, and the permission to deal in, the Subscription Shares.

On 29 July 2022, all conditions precedent under each of the subscription agreements were satisfied and completion of the Subscriptions took place in full, pursuant to which (i) Centerlab was allotted and issued 33,750,000 shares; and (ii) Vivo Suzhou Fund was allotted and issued 116,250,000 shares.

The gross proceeds from the Subscriptions were approximately HKD472,500,000 (equivalent to approximately RMB405,788 thousand), and the net proceeds from the Subscriptions after the deduction of the relevant fees and expenses were approximately HKD471,116,000 (equivalent to approximately RMB404,593 thousand) (the "Net Proceeds").

Details of the Subscriptions were set out in the announcements of the Company dated 31 May 2022, 22 June 2022, 30 June 2022 and 29 July 2022 and the circular of the Company dated 5 July 2022 (the "Circular").

USE OF NET PROCEEDS FROM THE SUBSCRIPTIONS *(cont'd)*

During the six months ended 30 June 2023, Net Proceeds amounting to approximately RMB84,783 thousand were used in accordance with the proposed applications as set out in the paragraph headed "Letter from the Board – Connected Transactions Involving the Subscriptions – Use of Proceeds" in the Circular. As at 30 June 2023, the unused amount of the Net Proceeds amounted to approximately RMB222,670 thousand, and were being kept by the Group as bank deposits. Such unused Net Proceeds are intended to be applied in accordance with the proposed applications as set out in the Circular.

A breakdown of the use of the Net Proceeds during the six months ended 30 June 2023 in accordance with the disclosure in the Circular and an expected timeline as at the date of this report for the use of the unused amount are set forth as follows:

Purpose		Allocated percentage	Net Proceeds allocated (RMB'000)	Used during the six months ended 30 June 2023 (RMB'000)	Unused amount as at 30 June 2023 (RMB'000)	Expected timing for the full utilization of the unused amount
(1)	For capital expenditure on the construction of Global Research and Development Center and upgrade of ADC formulation production workshops to expand production capacity and to enhance production efficiency.	35%	141,608	20,543	87,374	30 June 2024
(2)	For the ongoing development of products, of which:	25%:	101,148	19,487	71,139	
	(a) For Phase III clinical trial of TAA013 (anti-HER2 ADC, HER2+ advanced breast cancer);	(a) 15.73%	63,643	6,220	47,727	31 December 2024
	(b) To fund ongoing and planned pre-clinical and clinical trials of TAE020 (new target ADC, acute myeloid leukemia) and TAC020 (new target mAb/recombinant protein, various solid tumors); and	(b) 8.02%	32,448	9,455	22,342	31 December 2024
	(c) To fund clinical trials, registration and filing for approval, as well as post-registration research and development of other drug candidates in the pipeline.	(c) 1.25%	5,057	3,812	1,070	30 September 2023
(3)	For the ongoing development and support of CDMO and CMO business.	20%	80,919	34,310	34,138	31 December 2023
(4)	For commercial production, marketing and sales activities of three products with marketing approvals obtained, namely TAB008, TOZ309 and TOM218.	10%	40,459	3	–	–
(5)	For working capital and other general corporate purposes.	10%	40,459	10,440	30,019	30 September 2024
Total[(1)]		**100%**	**404,593**	**84,783**	**222,670**	

Note:

(1) Amounts and percentage figures included in this table have been subject to rounding. Accordingly, figures shown as totals in this table may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2023.

CHANGES IN DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

With effect from 12 August 2023, Mr. Qiu, Yu Min has resigned from his roles as a non-executive director of the Company, the chairperson of the Remuneration Committee and a member of each of the Audit and Connected Transactions Review Committee and the Strategy and ESG Committee due to his other business engagements which require more of his dedication. Mr. Qiu will also resign from his position as a director of TOT BIOPHARM Co., Ltd. (東曜藥業有限公司) ("TOT Suzhou"), a wholly-owned subsidiary of the Company, in due course. See the Company's announcement dated 11 August 2023 titled "Change of Directors and Change of Composition of Board Committees" for details.

With effect from 12 August 2023, Dr. Liu, Weidong has been appointed as a non-executive director of the Company, the chairperson of the Remuneration Committee and a member of each of the Audit and Connected Transactions Review Committee and the Strategy and ESG Committee. Dr. Liu, Weidong will also be appointed as a director of TOT Suzhou in due course. See the Company's announcement dated 11 August 2023 titled "Change of Directors and Change of Composition of Board Committees" for details.

Mr. Chang, Hong-Jen was appointed as an independent director of Maywufa Company Ltd. (美吾華股份有限公司) (Taipei Exchange: 1731) on 26 May 2023.

Save as disclosed above, there is no change in the information of the Directors and the senior management of the Company since the date of the 2022 Annual Report (being 23 March 2023) which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE OF FINANCIAL INFORMATION

Pursuant to paragraph 40(2) of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed in this interim report, the Company confirms that as at the date of this report, the Group's current information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the 2022 Annual Report.

DEFINITIONS

"ADC"	antibody drug conjugate
"Board"	the board of Directors of the Company
"CDMO"	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CMO"	contract manufacturing organization, which is a pharmaceutical company that manufactures drugs for other pharmaceutical companies on a contractual basis
"Company"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose Shares are listed on the Stock Exchange (stock code: 1875)
"date of this report"	11 August 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report prior to its publication
"Director(s)"	the director(s) of the Company
"FDA"	the Food and Drug Administration of the United States
"GMP"	good manufacturing practice
"Group", "we", "us" or "TOT BIOPHARM"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IND"	investigational new drug application

Definitions

"IPO" or "Global Offering"	the initial public offering of the Company which was completed on the Listing Date
"Listing Date"	8 November 2019, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NDA"	new drug application
"NMPA"	the National Medical Products Administration of the PRC
"NTD"	New Taiwan dollar(s), the lawful currency of Taiwan
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan
"Pre-IPO Share Option(s)"	the share option(s) granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on 20 February 2013 and subsequently amended on 11 December 2017, 20 December 2018, 12 March 2019, 16 April 2019 and 22 July 2019, details of which are disclosed on pages V-36 to V-47 of the Prospectus
"Prospectus"	the prospectus dated 29 October 2019 published by the Company
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Restricted Award Share(s)"	the Share(s) granted under the Restricted Share Award Scheme and allotted and issued (or to be allotted and issued) to the trustees thereunder
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 29 May 2020 and subsequently amended on 29 July 2020, 23 December 2021, 1 November 2022 and 31 December 2022, details of which are disclosed on pages 8 to 21 of the Company's circular dated 3 August 2020 and in its announcements dated 23 December 2021 and 1 November 2022 and in the section headed "Other Information – Restricted Share Award Scheme" of this interim report

Definitions

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America
"US$" or "USD"	United States dollar(s), the lawful currency of the United States