2024 Interim Report

東曜藥業股份有限公司

TOT BIOPHARM International Company Limited

(Incorporated in Hong Kong with limited liability)

Stock Code:1875

东曜药业
TOT BIOPHARM

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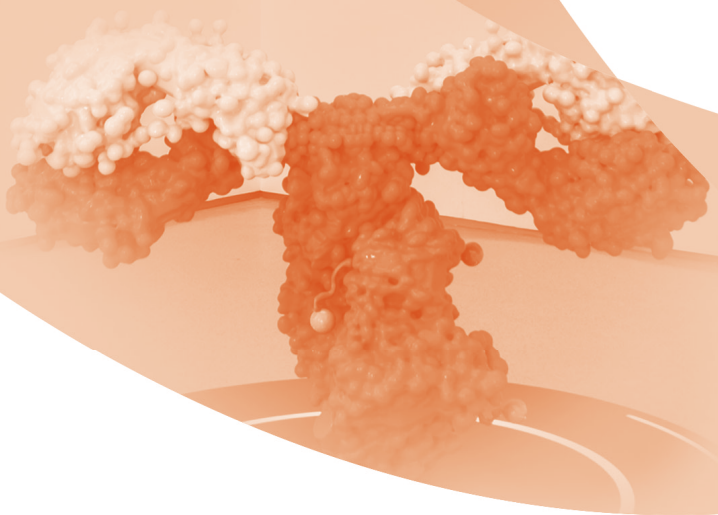


CORPORATE INFORMATION

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)*
Dr. Liu, Weidong

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)*
Dr. Liu, Weidong
Mr. Chang, Hong-Jen

REMUNERATION COMMITTEE
Dr. Liu, Weidong *(Chairperson)*
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
Dr. Liu, Weidong
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
Industrial and Commercial 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
Hong Kong ZHIXIN Financial News Agency Limited

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY AND PERFORMANCE OVERVIEW

In the first half of 2024, amidst a complex, volatile and challenging external environment, demand in the global healthcare market continued to grow driven by an aging population. Global investment in healthcare-related research and development was relatively robust. Influenced by tightening monetary policies in major global economies and various macroeconomic factors, the financing of innovative drugs gradually returned to a more rational level. Meanwhile, the continuous development of China's healthcare industry, together with the further improvement and optimization of relevant policies and regulations, has contributed to a more transparent regulatory framework and more predictable market potential. In the long run, such actions will encourage Chinese pharmaceutical and biopharmaceutical companies to focus more on investing in new pipeline products with scientific breakthroughs and clinical value to enhance their competitiveness in global markets. In the process of accelerating the development of innovative drugs, the advantages of services of CDMO companies have become particularly prominent. Their collaboration with innovative pharmaceutical companies enables pharmaceutical companies to focus on research and development, while CDMO companies, as specialized institutions for drug research and development as well as production, play an important role in providing comprehensive support and services to pharmaceutical companies. The efficient collaboration among such companies has become the driving force behind the development of innovative drugs.

As a CDMO service company providing one-stop services for the development and production of antibody and ADC drugs, TOT BIOPHARM has leveraged its extensive practical experience across the entire value chain of drug development, from research and development, process engineering, clinical trials, registration filings to commercial production, together with its established technology platform and robust quality system, to establish a comprehensive antibody/ADC technology platform with core conjugation expertise, scalable technological advantages as well as proprietary analytical capabilities for critical quality attributes. This ensures its high-quality product development of its products. Meanwhile, the Company's one-stop CDMO services adhering to the highest quality system standards, coupled with its track record of high-standard delivery across over a hundred projects, have gained strong recognition from its customers. The rising number of customer visits has laid a solid foundation for the Company's robust CDMO revenue growth in the future. In terms of sales of self-developed products, the Company's core product Pusintin® (bevacizumab injection) has continued to penetrate the market and has gained a favourable reputation in the market under a differentiated sales strategy, laying a solid foundation for the sustainable development of the Company. In terms of business expansion in overseas markets, the Company expects to obtain approval in the first country and initiate commercial sales in the second half of the year, injecting new momentum for the long-term growth of the Company.

For the six months ended 30 June 2024:

- The Group's revenue amounted to RMB520,603 thousand, representing a year-on-year increase of 59%. In particular, revenue from sales of products was RMB400,400 thousand, representing a year-on-year increase of 44%, which was mainly attributable to continuous growth in sales volume of Pusintin® (Bevacizumab injection), our core product. Revenue from CDMO/CMO business amounted to RMB113,791 thousand, representing a year-on-year increase of 144%. With stable cash-generating capability, the net cash from operating activities remained positive for two and a half years and amounted to RMB27,801 thousand for the first half of 2024.

- The Group achieved remarkable results in its CDMO strategic transformation. Its sales of self-developed products also increased steadily. The Group's financial performance has turned from a loss to a profit, with a net profit reaching RMB31,559 thousand for the first half of the year.

- The CDMO business demonstrated strong growth potential. In the first half of the year, the Company secured 20 new projects, 17 of which were ADC projects, cumulatively reaching a total of 115 projects. In the first half of the year, the Company successfully secured two pre-BLA projects, bringing the total number to eight, fully demonstrating the Company's outstanding capability in late-stage CDMO commercialization projects and further strengthening its potential for future revenue expectations. The Group's contracted order backlog amounted to RMB184 million, representing a year-on-year increase of 104%.

II. LAUNCHED PRODUCTS AND R&D PIPELINE

1. Overall Marketing Strategy of Products

In the first half of the year, TOT BIOPHARM continued to focus on biopharmaceutical CDMO, concentrating on its core business. By streamlining pipelines, the Group's research and development expenses of new drugs continued to decrease. TOT BIOPHARM actively promoted the sales of launched products, effectively improving the cash flow of the Company and turning into profit from loss.

In March 2022, we entered into an agreement with Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Limited (兆科(廣州)眼科藥物有限公司) ("Zhaoke Guangzhou"), a wholly-owned subsidiary of Zhaoke Ophthalmology Limited (兆科眼科有限公司) ("Zhaoke Ophthalmology"), in respect of the commercial licensing of TAB014 (which is used for the treatment of wet (neovascular) age-related macular degeneration (wAMD)), pursuant to which Zhaoke Guangzhou was authorised to act as the marketing authorization holder (MAH) of TAB014 in China (including Hong Kong and Macau regions) and be responsible for the Phase III clinical trial. According to an announcement published by Zhaoke Ophthalmology in October 2023, the enrolment of patients for the Phase III clinical trial of TAB014 was completed ahead of schedule on 16 September 2023. TOT BIOPHARM will continue to be responsible for the commercial-scale production of TAB014 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
Pusintin® (Bevacizumab Injection)	Advanced, metastatic or recurrent non-squamous non-small cell lung cancer (nsNSCLC); metastatic colorectal cancer (mCRC); recurrent glioblastoma multiforme (GBM); epithelial ovarian cancer (OC), fallopian tube cancer or primary peritoneal cancer; cervical cancer (CC); hepatocellular carcinoma (HCC)	100mg(4mL)/bottle	Approved for launch by NMPA on 30 November 2021
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.	20mg x 5 capsules/bottle; 100mg x 5 capsules/bottle	Approved for launch by NMPA on 31 May 2021

Note: In response to the Company's strategic adjustment to focus on the development of biological drug CDMO business, the Company decided to terminate the sales agency of Megaxia® in China and completed the return of the relevant rights and interests in the first half of 2024. The related deposits and other payments have been fully recovered.

Source: The Company

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.

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; and hepatocellular carcinoma*

Pusintin®, the core product of the Company in the field of anti-tumor treatment, was approved for launch in 2021. As of 30 June 2024, Pusintin® has been approved for the treatment of six indications that can be treated with the originator drug Avastin® approved in mainland China. The special mechanism of bevacizumab enables it to cover a number of cancer treatments, and 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 reach 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 Jiangxi Jixin Pharmaceutical Co., Ltd. (江西濟鑫醫藥有限公司) ("Jixin Pharmaceutical"), the Company continued to expand the market share of Pusintin®.

Pusintin®

In the first half of 2024, the Company continued to implement its differentiated marketing strategies and further consolidated its market position. In the first half of the year, the sales of the drug increased 49% year-on-year due to our differentiated positioning. In terms of overseas markets, we actively promoted the registration filing for the launch of the drug in overseas markets. As of 30 June 2024, we have initiated the registration application in 31 overseas countries, and the registration application documents have been accepted by 17 countries. We expect to obtain the first approval from an overseas country in the second half of the year to penetrate overseas markets.

– *Tazian® (Temozolomide capsule)*

– *Indications: Glioblastoma; and anaplastic astrocytoma*

Tazian® was approved for launch by the 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. In 2022, Tazian® was successfully selected for renewal in the centralized procurement of several allied provinces. As of 30 June 2024, the Company has become the supplier in the renewal of centralized procurement by Jiangsu Province, Hebei Province, Beijing, Guangdong Province and Jiangxi Province since the Company was selected as the supplier in ongoing centralized procurement.

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

1. Biological Drug Market Size

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. With huge market potential, the ADC drugs have attracted the attention and become strategic focus of a multitude of pharmaceutical companies domestically and internationally. At the American Society of Clinical Oncology (ASCO) held in 2024, the research and development progress of ADC drugs was a key topic of discussion among major pharmaceutical companies.

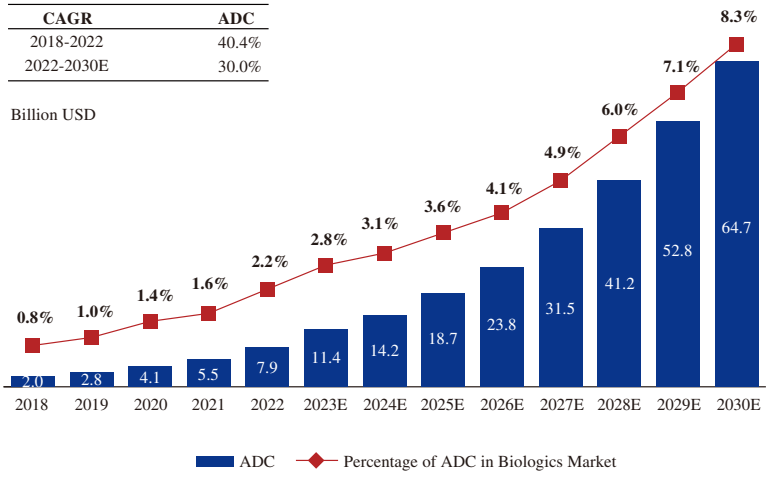
2. Market Opportunities for ADC

– *Rapid growth of the ADC drug market*

ADC drugs are a new type of treatment for malignant tumors, following chemotherapy, targeted therapy and immunotherapy. With high-precision targeting and a wide therapeutic window, ADC drugs are forging a new paradigm in broad-spectrum anti-tumor therapy. In particular, the tremendous success of DS-8201 has reshaped the landscape of HER2-targeted therapies. According to the statistics of Frost & Sullivan, the global market size of ADC is expected to increase from USD7.9 billion in 2022 to USD64.7 billion in 2030 at a high CAGR of 30.0%.

Global Market Size of ADC Between 2018 and 2030E

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



Source: Frost & Sullivan Report

In 2023, the global market size of ADC drugs exceeded USD10.0 billion for the first time. Among the 15 ADC launched products, 5 products achieved sales of more than USD1.0 billion in 2023, ranking among the "blockbuster drugs". As the market size of ADC drugs began to grow rapidly, the clinical applications for ADC drugs also expanded rapidly. According to the statistics of PHARMCUBE (醫藥魔方), there are over 1,000 active traditional ADC drugs in the world, of which only 15 products have been approved for marketing. There are still over 370 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. As the rapid launch and increasing sales of ADC products, along with accumulated disease knowledge, have led to sustained high-speed growth in market size, X-Drug Conjugates (XDC) have emerged as the future trend. XDC, the new targeting approach, is in development where X can be small molecules, peptides, nucleic acids, ligands, antibody fragments, or nanoparticles, nuclides and various proteins, etc. Notably, Novartis has launched two RDC drugs with outstanding therapeutic efficacy, signifying the immense potential of the XDC drug market.

– *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. Each step of the development strategy is tightly interwoven with the challenges, communications and approvals imposed by numerous regulations and standards. In particular, with the increasing complexity of late-stage clinical and commercialization, the requirements for project development experience and compliance are higher. A professional CDMO cooperation model can significantly reduce drug development costs, shorten development cycles and reduce operational risks. 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 antibody and ADC drug substances and 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 for the First Half of the Year

In the first half of 2024, TOT BIOPHARM continued to adhere to its customer-centric philosophy. It leveraged its one-stop production platform to meet the diverse needs of customers across different stages of research and development, leading to a significant increase in performance. For the six months ended 30 June 2024, revenue from CDMO/CMO was RMB113,791 thousand, representing a year-on-year increase of 144%, of which revenue from ADC projects (including antibody production) accounted for 88%. Leveraging its outstanding 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 17 were ADC projects. As of 30 June 2024, there were a total of 8 pre-BLA projects, and 2 pre-BLA projects were newly added in the first half of the year.

Due to the high quality of project delivery results, the Company has seen a continuous increase in the number of customer visits, with the number of visits in the first half of the year increasing by 100% year-on-year. Among them, multinational pharmaceutical companies have all given positive feedback during their visits, highly recognizing the Company's quality system. Positive customer and regulatory audit results have validated the Company's capabilities in providing services from clinical stage to commercial production stage, and the number of audits in the first half of the year increased by 200% year-on-year.

2. The Company's Differentiated Competitiveness in CDMO

– *2.1 "One-base, end-to-end" antibody and ADC industrialization platform*

TOT BIOPHARM, with the establishment of a "one-stop, one-base, end-to-end" antibody and ADC service platform, has become one of the internationally leading CDMO service companies that can offer one-stop service from development to commercialization of antibody and ADC. Its services covered the whole life cycle of drug development, providing comprehensive services from antibody process, conjugation process, drug product process development, analytical method development and validation, research and development and pilot production to commercial-scale production. In general, for XDC projects, we were able to significantly reduce the industry standard duration from antibody DNA sequencing to IND application to an average of less than 15 months, accelerating our customers' research and development of drugs.

TOT BIOPHARM's headquarters and integrated commercial production workshops are located in Suzhou Industrial Park. With the support of the Suzhou government and provincial and municipal regulatory authorities, privileged geographical location, established supply chain, stable customer base and excellent talent pool, the Company can meet the needs of the whole process of biological drugs and ADC drugs from early development to commercial production, and ensure stable supply.

– *2.2 Technology platform with continuous iteration*

TOT BIOPHARM continued to build the most competitive ADC CDMO technology platform. In July 2023, the Company entered into in-depth strategic cooperation with GlycanLink (糖嶺生物) to jointly develop an ADC site-specific conjugation technology platform – GL-DisacLink®, with an aim to accelerate the development and commercialization of customers' innovative drug conjugates. In terms of CDMO service, TOT BIOPHARM can apply the technology of such platform to drug conjugate related services and further promote the process optimization and commercial amplification of the technology with GlycanLink (糖嶺生物). To date, the technology has accumulated preliminary in vivo evaluation data and completed the initial feasibility validation for commercial application. TOT BIOPHARM's XDC early-stage research service includes not only the pilot production of samples using conventional conjugation technology, but also the pilot production of sample conjugates using GL-DisacLink® technology. By extending the service from ADC process development to front-end and early vertical integration with the CMC stage, TOT BIOPHARM can provide customers with a more efficient and more certain development process.

– *2.3 Quality management system complying with GMP standards in China, the United States and Europe*

"Quality first, continuous improvement and providing customers with high quality products and services" is the quality policy of TOT BIOPHARM. It is the Company's core strategic goal to continuously build and maintain an effective pharmaceutical quality management system that complies with the standards of the National Medical Products Administration ("NMPA") in China, those of FDA in the US and those of GMP in the EU. Established based on ICHQ10 and six major systems of FDA and in compliance with the principle of ALOCA+ on data integrity, the Company's quality management system meets the requirements in relation to project application and commercial production in China/the US/the EU. Widely recognized by the industry at home and abroad, the Company's high-standard quality management system and high-satisfaction project delivery have passed many production site inspections by relevant drug regulatory authorities and GMP compliance inspections in many countries, as well as several GMP inspections by customers and third-party consulting agencies. As of 30 June 2024, the Company received more than 60 GMP audits in total. Among them, the Company passed the EU QP Audit with zero defects on the first attempt, directly passed the official GMP audit on-site in Colombia, and passed the GMP audits in Indonesia, Egypt and other countries. Furthermore, the Company assisted its customers in completing inspections by their overseas partnering MNC pharmaceutical companies and other institutions on multiple occasions, and successfully collaborated with its customers in completing the licensing with high recognition. In addition, the Company attaches great importance to data integrity to protect the rights and interests of customers and partners, and has invested heavily in its quality system, especially in the implementation of information systems, including the Document Management System (DMS), Enterprise Resource Planning (ERP), Environmental Monitoring System (EMS), VAISALA System and Laboratory Information Management System (LIMS), which have greatly reduced the risk of data integrity and improved the overall compliance status of the Company. At the same time, the Company has placed a high priority on continuous investment in quality systems, including talent recruitment and employee training in quality systems.

The Company has recruited several key personnel with global perspectives, including the chief technology officer and the vice president of quality. All of them possess extensive experience in working for multinational companies. These key personnel have brought global perspectives to the CDMO business of TOT BIOPHARM and have become advocates for the compliance of the quality system. Meanwhile, the Company has always emphasized the importance of employee training, which includes quality leadership training, compliance awareness training, and specific operation of quality system such as inspections (deviations, audit findings, etc.), data integrity, and process validation. Employee training in quality systems has enhanced employees' awareness of GMP compliance. They have integrated compliance behaviors into daily business operations. As a result, the Company is able to provide higher quality biological drugs to benefit patients worldwide.

– *2.4 Flexible and diverse production capacity*
Currently, the Company has four complete commercial production lines (two for antibodies, two for ADC) for international leading brands, including five workshops for drug substances and four workshops for drug products. Specifically, the Company has an annual production capacity for 300,000L of antibody drug substances and 30 million vials of drug products for antibodies. The Company has an annual production capacity for 960kg of drug substances and over 5.3 million vials of drug products for ADC. Following the capacity expansion milestones achieved in 2023, the Company has further built up a talent pipeline of experienced CDMO professionals to provide strong support for its projects. The Company has completed the production of drug substances and drug products for dozens of ADC projects. Under the premise of ensuring product quality, the Company has further improved the production capacity and optimized the production technology, with all projects delivered on time. This has earned the Company high recognition from its customers and strengthened its customer relationships. Following the completion and operation of our second high-end commercial production line for ADC drug products, the Company has completed dozens of batches of projects, including several pre-BLA projects. The Company has a leading ranking among biological drug CDMO industry players in China, and is also a leading one-stop ADC CDMO provider in China with unparalleled production capacity.

– *2.5 Further strengthened capabilities of CDMO team*

With a team of research and development and commercialization talents with international expertise and rich industry experience, TOT BIOPHARM is committed to building an open and inclusive talent development platform adhering to a business-oriented approach. The Company is continuously optimizing the talent structure to meet the needs of the rapid development of CDMO business, and accumulating strength for the long-term development of the Company. 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 core members of the senior management of the Company, with an average of over 15 years of extensive management experience in well-known multinational companies, are familiar with the pharmaceutical laws and regulations of Europe, the United States and China, as well as emerging countries. In line with the rapid development of the Company's CDMO business, as of 30 June 2024, the number of CDMO team members were expanded to 492, representing a year-on-year increase of 29%, and accounting for 86% of the total number of staff of the Group. In order to strengthen the business focus of the Group, the number of ADC CDMO team members also increased by 27% year-on-year, with 84% of the ADC R&D personnel holding master's or doctoral degrees, highlighting the Company's significant achievements in attracting and cultivating high-end research and development talents. In addition, the Company has maintained a production position fill rate exceeding 95%, with efficient and stable production operations. For the critical ADC technical positions, the fill rate reached 90%, driving continuous technological innovation. Through planned training and promotion, the Company systematically attracted and retained professional talents to strengthen the cohesion and competitiveness, and provide strong talent base for the long-term development of the Company.

– *2.6 Corporate reputation*

Leveraging its advantageous background in research and development of new drugs for decades, TOT BIOPHARM is equipped with the practical experience in the whole project process from drug research and development to commercial production and launch, and has successfully expanded the biopharmaceutical CDMO business, gaining trust and recognition from industry partners. TOT BIOPHARM, as a former customer, can complete project delivery efficiently with high quality based on in-depth understanding of customer needs and practical solutions. TOT BIOPHARM has completed a number of late-stage clinical pre-BLA 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 LARGE-SCALE AND FLEXIBLE PRODUCTION CAPACITY

1. Commercial Production Bases

TOT BIOPHARM's production base is built to a high standard, with a robust quality management system and commercialization capabilities that comply with international GMP standards. The Company currently has one of the few commercial production lines in China that can produce antibody and ADC drug substances/drug products. It is also one of the few CDMO service companies in the world with a comprehensive industry chain for antibody-drug conjugates. The production base is equipped with a number of complete upstream and downstream production lines. The total production capacity of antibody bioreactors exceeds 20,000L. The workshop for ADC drug substances is equipped with a number of 100L to 500L coupling reaction kettles, reaching a conjugation scale of 5kg/batch. In addition, the GMP-compliant ADC drug product workshops have a capacity of 6,000 to 50,000 vials/batch, equipped with state-of-the-art production equipment to meet the scale requirements of different project stages.

Furthermore, the ADC workshops and filling lines are designed to meet light-shielding requirements, enabling the Company to handle a wider range of bioconjugates drug project needs.

VI. COMMUNICATION WITHIN THE INDUSTRY AND BRAND PROMOTION

In the first half of 2024, 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. With outstanding delivery records and quality, the Company has been highly recognized by customers. By continuously improving service quality, technical capabilities and customer empowerment, TOT BIOPHARM has earned customers' trust and enhanced 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.

Marketing and branding highlights for the first half of 2024 are summarized below:

- In February 2024, TOT BIOPHARM was invited to participate in AntibodyChina 2024 (2024第七屆抗體藥物及ADC藥物深度聚焦峰會) to discuss ADC drug differentiation and innovation, where Dr. Duan, Qing, head of drug research and development and technology development of TOT BIOPHARM, presented a technical report on "Realizing homogeneous site-specific conjugation with engineered glycosidic endonuclease". The presentation received enthusiastic response from the audience. At the same time, TOT BIOPHARM also officially launched the ADC early-stage research and development service platform, which provided rapid sample pilot production services in the early-stage research and development, and also applied the experience of process development to ADC early-stage research and development, realizing a seamless connection with drug development.

- In March 2024, TOT BIOPHARM was invited to participate in the roundtable discussion session of the 5th ADC Development Summit (第五屆ADC藥物開發峰會) to discuss with experts on "Price VS Service VS Platform Capability: How to Choose a Reliable CDMO Partner?", where we had an on-site in-depth interaction with the attending guests from the perspective of quality management. During the session, TOT BIOPHARM shared that the management of collinear production is a very important issue for CDMO companies. It was also shared that TOT BIOPHARM adopted one-time systems and technologies to significantly reduce risks and ensure product quality, and that the independent non-toxic workshop for XDC drug substances to meet the coupling demand of non-toxic products was also a reflection of the strength of TOT BIOPHARM.

- In April 2024, TOT BIOPHARM was invited to participate in the first Future XDC New Drugs Conference (首屆未來XDC新藥大會) to pursue the future development of XDC industry together with many industry leaders. As a CDMO service company for biological drugs, especially for Ab/ADC/XDC and other drugs, TOT BIOPHARM has established a concrete service result of providing complete nuclide coupling development services for nuclide drug conjugates, and was honored as "Pioneer Enterprise in New Infrastructure for ADC/Nuclide Drugs (ADC/核藥新基建先鋒企業)" at the conference.

- In June 2024, TOT BIOPHARM and BiG (Biomedical Innovation Group) held TOT BIOPHARM – Private Board Meeting on Double Antibody & ADC (東曜–雙抗 & ADC私董會). The founders of new drug research and development, investment partners, clinical physicians and others were specifically invited to engage in a dialogue about the promising next decade for double antibody/ADC development. The event was well-attended, with lively discussions that sparked many insightful exchanges. The guests were deeply impressed by the Company's corporate culture, its one-stop CDMO services, as well as its internationally standardized manufacturing facilities and equipment.

VII. INVESTOR RELATIONS

The CDMO strategic transformation performance of TOT BIOPHARM has been recognized by the capital market. A number of leading brokerage analysts and institutional investors conducted on-site research at the Company, had in-depth discussions with the management team, covering the Company's ADC CDMO business development and strategic planning. They highly affirmed the Company's efforts. The Company will continue to establish effective communication with the capital market, enhancing the transparency, timeliness and completeness of information disclosure, with the aim of increasing investors' understanding and recognition of the Company. Currently, the Company has established a multi-channel communication system to ensure that shareholders and investors can keep abreast of the Company's key business developments from various public platforms. At present, the communication platform includes general meetings, interim and annual reports, announcements, press releases, roadshows, market strategy meetings, investor and analyst presentations, as well as investor open days held by the Company from time to time.

VIII. 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. Adhering to the values of people-caring, quality-oriented, professional & efficient, cooperative & win-win, innovative & passionate, we strive to improve customer satisfaction and achieve long-term cooperation, and are committed to becoming the industry-leading and most customer-trusted partner in biopharmaceuticals. We continuously strive for the vision of empowering pharmaceutical innovation to improve the quality of life and safeguard human health.

IX. FUTURE PROSPECTS

In the first half of 2024, multiple biological drugs represented by ADC drugs were featured at the ASCO conference. Among the posters presented, more than 100 were related to ADC drugs. The boom in biological drugs has created significant demand for outsourcing services. Biotechnology companies, facing limited production capacity and stringent regulatory requirements for commercialization of late-stage drugs, will seek experienced outsourcing service providers specializing in biological drugs. With decades of accumulated experience in drug research and development and production and outstanding concrete delivery results, TOT BIOPHARM has continuously attracted investments from customers and partners. The deep trust and goodwill established between the Company and its partners has made the Company the first choice for most customers in China.

Looking ahead to the second half of the year, the Company will continue to focus on biopharmaceutical CDMO and advance the implementation of additional projects. We are confident that, with our complete drug development experience, cutting-edge innovative technology platform, internationalized quality system and one-stop production base covering research and development to industrialization, we will help more customers develop promising innovative biological drugs. This will further strengthen our brand influence and expand our market share, thus consolidating TOT BIOPHARM's leading position in the biopharmaceutical CDMO market.

FINANCIAL REVIEW

OVERVIEW

For the first half of 2024, the Group recorded an operating revenue of RMB520,603 thousand, representing an increase of RMB192,540 thousand, or 59%, from RMB328,063 thousand for the same period in 2023. For the first half of 2024, the net profit of the Group was RMB31,559 thousand, as compared to a net loss of RMB15,163 thousand for the same period in 2023, turning into profit from loss. The Group's research and development expenses for the first half of 2024 were RMB46,059 thousand, as compared to RMB49,969 thousand for the same period in 2023. The Group's general and administrative expenses for the first half of 2024 were RMB32,105 thousand, as compared to RMB31,104 thousand for the same period in 2023. The Group's selling expenses for the first half of 2024 were RMB276,482 thousand, as compared to RMB197,376 thousand for the same period in 2023.

OPERATING REVENUE AND COSTS

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

The Group's revenue from product sales for the first half of 2024 was RMB400,400 thousand, representing an increase of RMB122,519 thousand, or 44%, from RMB277,881 thousand for the same period in 2023, which was mainly due to the steady increase in the sales volume of our core product, Pusintin®, while the corresponding operating costs also increased accordingly.

The Group's revenue from CDMO/CMO business for the first half of 2024 was RMB113,791 thousand, representing a significant increase of RMB67,245 thousand, or 144%, from RMB46,546 thousand for the same period in 2023, primarily attributable to the significant increase of CDMO/CMO business segment in the current period, 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, 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 2024 were RMB46,059 thousand, representing a decrease of RMB3,910 thousand from RMB49,969 thousand for the same period in 2023, which was mainly attributable to the optimization of product pipelines that resulted in 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 business development and marketing staff, conference fees, and travelling expenses, etc.

The Group's selling expenses for the first half of 2024 were RMB276,482 thousand, representing an increase of RMB79,106 thousand from RMB197,376 thousand for the same period in 2023, which was mainly attributable to the increase in sales of self-developed products, the increase in marketing and promotion expenses resulting therefrom, and the increase in CDMO business development personnel.

GENERAL AND ADMINISTRATIVE EXPENSES

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

The Group's general and administrative expenses for the first half of 2024 were RMB32,105 thousand, representing an increase of RMB1,001 thousand from RMB31,104 thousand for the same period in 2023.

NET IMPAIRMENT REVERSAL ON FINANCIAL ASSETS

The Group's net impairment reversal on financial assets mainly include bad debt reversal for trade and other receivables, other current and non-current assets, etc.

The Group's net impairment reversal on financial assets for the first half of 2024 was RMB9,451 thousand, representing an increase of RMB8,971 thousand from RMB480 thousand for the same period in 2023, which was mainly attributable to the recovery of amounts from previous years, which led to the reversal of impairment losses provided.

OTHER INCOME AND GAINS – NET

The Group's net other income and gains for the first half of 2024 was RMB1,545 thousand, representing a decrease of RMB11,845 thousand from RMB13,390 thousand for the same period in 2023, which was mainly attributable to government grants and the impact of fluctuations in foreign currency.

FINANCE INCOME

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

The Group's finance income for the first half of 2024 was RMB2,182 thousand, representing an increase of RMB904 thousand from RMB1,278 thousand for the same period in 2023, 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 2024 were RMB3,881 thousand, representing an increase of RMB1,620 thousand from RMB2,261 thousand for the same period in 2023, mainly due to the increase in loans following the milestone payments made in construction projects.

INCOME TAX EXPENSE

No income tax expense was incurred for the first half of 2024, and the Group's income tax expense for the same period in 2023 was RMB1 thousand.

PROFIT FOR THE PERIOD

As a result of the above as a whole, the net profit for the first half of 2024 was RMB31,559 thousand, as compared to a net loss of RMB15,163 thousand for the same period in 2023, turning into profit from loss.

NET ASSETS

The Group's net assets as of 30 June 2024 were RMB723,887 thousand, representing an increase of RMB37,201 thousand from RMB686,686 thousand as of the end of 2023, which was mainly attributable to the net profit during the current period.

CASH MOVEMENT AND SOURCE OF FUNDS

As at 30 June 2024, the Group's cash and cash equivalents were RMB348,350 thousand, representing a decrease of RMB3,250 thousand from RMB351,600 thousand as at the end of 2023. Such change was mainly attributable to the following reasons:

During the first half of 2024, the Group's net cash inflows for operating activities were RMB27,801 thousand, representing a decrease of RMB34,612 thousand from RMB62,413 thousand for the same period in 2023, which was mainly attributable to the changes in the above-mentioned operating expenses, and the increase in accounts receivable and contract assets related to the progress of customer projects due to the growth of CDMO business. The Group's net cash outflows for investing activities for the current period were RMB68,784 thousand, representing a decrease of RMB15,964 thousand from RMB84,748 thousand for the same period in 2023, which was mainly attributable to the nearing completion of the construction of the Global Research and Development Service Center. The Group's net cash inflows for financing activities were RMB36,209 thousand, representing an increase of RMB2,124 thousand from RMB34,085 thousand for the same period in 2023, which was mainly attributable to the reasonable allocation of internal funds and bank loans in response to the progress of construction projects, which was a result of the optimization of capital structure.

INDEBTEDNESS AND KEY LIQUIDITY RATIO

As at 30 June 2024, the Group had outstanding bank borrowings that amounted to RMB383,008 thousand (31 December 2023: RMB344,285 thousand) and had unutilised bank facilities of RMB323,892 thousand (31 December 2023: RMB265,715 thousand). For further details, please refer to note 14 to the interim condensed consolidated financial information.

As at 30 June 2024, the Group's total liabilities to total assets ratio was 0.5 (31 December 2023: 0.5).

MAJOR INVESTMENT

On 9 November 2021, the Group commenced the construction of its Global Research and Development Service 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 2024, the Group incurred expenditure of RMB8,350 thousand in connection with the construction agreement entered into with Shanghai Baoye Group Corp., Ltd., and expenditure of RMB31,316 thousand in total in connection with the construction of the Global Research and Development Service 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 RMB9,602 thousand was incurred by the Group during the six months ended 30 June 2024 in connection with such projects.

Save as disclosed above, the Group did not make any major investment during the six months ended 30 June 2024.

MATERIAL ACQUISITIONS AND DISPOSALS

During the first half of 2024, the Group did not have any material acquisitions and disposals of subsidiaries, consolidated affiliated entities or associates.

PLEDGE OF ASSETS

As at 30 June 2024, the Group had no pledge of assets.

CONTINGENT LIABILITIES

As at 30 June 2024, 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 2024, the Group had a total of 572 employees. The following table sets forth the total number of employees by function as of 30 June 2024:

Function	Number of employees	% in total
Research and development	155	27.10%
Sales and marketing	26	4.55%
General and administration	61	10.66%
Manufacturing	330	57.69%
Total[(1)]	**572**	**100.00%**

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 2024, the Group incurred employee benefit expenses of RMB96,742 thousand, as compared to RMB80,899 thousand in the first half of 2023. 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 INCOME/(LOSS)

	Note	Unaudited Six months ended 30 June 2024 RMB'000	2023 RMB'000
Revenue	5	**520,603**	328,063
Cost of revenue		**(143,695)**	(78,060)
Research and development expenses		**(46,059)**	(49,969)
Selling expenses		**(276,482)**	(197,376)
General and administrative expenses		**(32,105)**	(31,104)
Net impairment reversal on financial assets	6	**9,451**	480
Other income and gains – net		**1,545**	13,390
Operating profit/(loss)		**33,258**	(14,576)
Finance income		**2,182**	1,278
Finance costs		**(3,881)**	(2,261)
Finance costs – net		**(1,699)**	(983)
Share of profits of the joint venture accounted for using the equity method		**–**	397
Profit/(Loss) before income tax	7	**31,559**	(15,162)
Income tax expense	8	**–**	(1)
Profit/(Loss) for the period and attributable to the equity holders of the Company		**31,559**	(15,163)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation		**1,523**	3,417
Other comprehensive income for the period, net of tax		**1,523**	3,417
Total comprehensive income/(loss) for the period and attributable to the equity holders of the Company		**33,082**	(11,746)
Earnings/(Loss) per share for the six months ended 30 June and attributable to the equity holders of the Company			
– Basic and diluted earnings/(loss) per share (RMB)	9	**0.04**	(0.02)

The above interim condensed consolidated statement of comprehensive income/(loss) should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**708,971**	695,804
Prepayments for property, plant and equipment		**362**	1,803
Right-of-use assets	10	**13,522**	14,258
Investment properties		**2,585**	2,785
Intangible assets	10	**8,086**	8,839
Other non-current assets		**2,808**	9,437
		736,334	732,926
Current assets			
Inventories		**114,044**	126,009
Other current assets		**16,505**	49,410
Trade and other receivables	12	**118,619**	88,152
Prepayments		**18,706**	18,715
Contract assets		**104,096**	54,916
Restricted cash		**–**	4,373
Cash and cash equivalents		**348,350**	351,600
		720,320	693,175
Total assets		**1,456,654**	1,426,101
EQUITY			
Share capital	13	**2,297,499**	2,297,499
Other reserves		**78,114**	72,472
Accumulated losses		**(1,651,726)**	(1,683,285)
Capital and reserves attributable to the equity holders of the Company		**723,887**	686,686

Interim condensed consolidated balance sheet

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	**314,918**	302,685
Lease liabilities		**124**	194
Other non-current liabilities		**45,692**	54,050
		360,734	356,929
Current liabilities			
Borrowings	14	**68,090**	41,600
Trade and other payables	15	**279,313**	322,934
Contract liabilities		**19,164**	12,063
Lease liabilities		**749**	1,172
Other current liabilities		**4,717**	4,717
		372,033	382,486
Total liabilities		**732,767**	739,415
Total equity and liabilities		**1,456,654**	1,426,101
Net current assets		**348,287**	310,689
Total assets less current liabilities		**1,084,621**	1,043,615

The above interim 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 2024		**2,297,499**	**72,472**	**(1,683,285)**	**686,686**	**–**	**686,686**
Profit for the period		**–**	**–**	**31,559**	**31,559**	**–**	**31,559**
Other comprehensive income		**–**	**1,523**	**–**	**1,523**	**–**	**1,523**
Total comprehensive income		**–**	**1,523**	**31,559**	**33,082**	**–**	**33,082**
Transactions with owners							
Share-based compensation expense		**–**	**4,119**	**–**	**4,119**	**–**	**4,119**
Total transactions with owners		**–**	**4,119**	**–**	**4,119**	**–**	**4,119**
Balance at 30 June 2024		**2,297,499**	**78,114**	**(1,651,726)**	**723,887**	**–**	**723,887**
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 a subsidiary 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

The above interim 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	
	2024 RMB'000	2023 RMB'000
Cash generated from operating activities		
Net cash generated from operations	**25,619**	61,135
Interest received	**2,182**	1,278
Net cash generated from operating activities	**27,801**	62,413
Cash flow used in investing activities		
Purchase and prepayment of property, plant and equipment	**(68,853)**	(125,776)
Purchase of intangible assets	**–**	(187)
Proceeds from disposal of property, plant and equipment	**69**	–
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)
Proceeds from disposal of interests in joint venture	**–**	3,000
Net cash used in investing activities	**(68,784)**	(84,748)
Cash flows generated from financing activities		
Proceeds from bank borrowings	**111,823**	116,350
Repayments of bank borrowings	**(73,100)**	(75,500)
Payment of lease liabilities	**(984)**	(1,205)
Acquisition of equity interests from non-controlling interests	**–**	(3,376)
Interest paid	**(1,530)**	(2,184)
Net cash generated from financing activities	**36,209**	34,085
Net (decrease)/increase in cash and cash equivalents	**(4,774)**	11,750
Cash and cash equivalents at beginning of the period	**351,600**	417,769
Effects of exchange rate changes on cash and cash equivalents	**1,524**	3,456
Cash and cash equivalents at end of the period	**348,350**	432,975

The above interim 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 13 August 2024. 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 2024 has been prepared in accordance with HKAS 34 Interim Financial Reporting.

The interim report does not include all of the notes normally included in annual consolidated financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

The financial information relating to the year ended 31 December 2023 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2024 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 2023 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
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024

(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
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	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 2023.

There have been no changes in the risk management mechanism since the year ended 31 December 2023 or in any risk management policies since the year end.

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 2024

	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 15)	**256,166**	**–**	**–**	**–**
Other non-current liabilities	**–**	**4,000**	**–**	**31**
Borrowings (including interest payables)	**81,906**	**171,333**	**54,946**	**131,215**
Lease liabilities (including interest payables)	**764**	**133**	**–**	**–**
	338,836	**175,466**	**54,946**	**131,246**

As at 31 December 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 15)	292,023	–	–	–
Other non-current liabilities	–	–	4,000	6,031
Borrowings (including interest payables)	53,748	104,412	142,290	89,303
Lease liabilities (including interest payables)	1,176	210	–	–
	346,947	104,622	146,290	95,334

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 2024 and 31 December 2023.

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 2024 (For the six months ended 30 June 2023: 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 2024 (For the six months ended 30 June 2023: 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 2023 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	
	2024 RMB'000	2023 RMB'000
Timing of revenue recognition		
At a point in time:		
– Sales of goods	**400,400**	277,881
– Commission revenue	**5,339**	3,391
– CMO	**4,527**	20,492
– Others	**867**	109
Over time:		
– CDMO	**109,264**	26,054
– Others	**206**	136
	520,603	328,063

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Contract assets:		
– CDMO	**102,473**	54,260
– Sales commission	**1,623**	760
Loss allowance	**–**	(104)
	104,096	54,916
Contract liabilities:		
– CDMO/CMO (i)	**(17,105)**	(10,944)
– Sales of goods	**(2,059)**	(1,119)
	(19,164)	(12,063)

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

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

(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	
	2024 RMB'000	2023 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period		
– Service revenue – CDMO/CMO	**3,434**	17,227
– Sales of goods	**899**	1,138
	4,333	18,365

(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 2024. For the six months ended 30 June 2024, there was no development milestone and commercial milestone achieved by the Group (For the six months ended 30 June 2023: there was no development milestone and commercial milestone achieved by the Group). 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. The Group has received the upfront payment and development milestone payments of RMB25,000,000 (including tax) in total as at 30 June 2024. For the six months ended 30 June 2024, there was no development milestone and commercial milestone achieved by the Group (For the six months ended 30 June 2023: no development milestone and commercial milestone 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 HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

(f) Geographical information

Geographical information of revenue and non-current assets other than financial assets for the six months ended 30 June 2024 and 2023 is as follows:

	Six months ended 30 June			
	2024		2023	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	RMB'000	**RMB'000**	RMB'000	RMB'000
Mainland China	**520,603**	**736,334**	328,063	671,034
Others	**–**	**–**	–	314
	520,603	**736,334**	328,063	671,348

6 NET IMPAIRMENT REVERSAL ON FINANCIAL ASSETS

	Six months ended 30 June	
	2024	2023
Impairment reversal on long-term receivables of other non-current assets (i)	**7,185**	–
Impairment reversal on other receivables (Note 12) (i)	**2,150**	–
Impairment reversal on trade receivables (Note 12)	**116**	480
	9,451	480

Note i: In 2021 and 2023, the Group paid deposits of NTD62,100,000 (equivalent to RMB13,873,000) for entering into exclusive distribution agreements ("distribution agreements") with a certain pharmaceutical company and NTD18,053,000 (equivalent to RMB4,033,000) for purchasing of goods respectively. As at 31 December 2023, the management accrued provisions of these deposits approximately RMB7,185,000 and RMB2,150,000, and assessed that a portion of the deposits is expected to be recovered.

As at 30 June 2024, the Group has reached an agreement with the certain pharmaceutical company and terminated the distribution agreements. The Group has received the deposits in full and reversed the impairment of the other non-current assets and other receivables of RMB9,335,000 for the six month ended 30 June 2024

Notes to the interim condensed consolidated financial information

7 PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit/(Loss) before taxation has been arrived at after charging:		
– Promotion and advertisement expenses	**268,526**	190,576
– Employee benefit expenses	**96,742**	80,899
– Clinical trials (exclude employee benefit expenses)	**(672)**	5,674
– R&D materials and consumables	**2,540**	2,828
– Depreciation and amortisation charge (Note 10)	**30,571**	18,672

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
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.

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(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	
	2024	2023
Earnings/(loss) attributable to equity holders of the Company (RMB'000)	**31,559**	(15,163)
Weighted average number of ordinary shares in issue (thousand)	**725,197**	725,197
Basic earnings/(loss) per share (RMB)	**0.04**	(0.02)

(b) Diluted earnings/(loss) per share

Diluted earnings/(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 2024, the Company had two categories of potential ordinary shares: the stock options granted to employees and restricted share award scheme (For the six months ended 30 June 2023: same). The diluted earnings per share and the basic earnings per share are RMB0.04.

10 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 2024			
Opening net book amount as at 1 January 2024	**695,804**	**8,839**	**14,258**
Additions	**42,324**	**523**	**491**
Depreciation and amortisation charge	**(28,502)**	**(1,276)**	**(793)**
Disposals	**(655)**	**–**	**(434)**
Closing net book amount as at 30 June 2024	**708,971**	**8,086**	**13,522**

	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

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2024 RMB'000	2023 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	**–**	–

12 TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade receivables (a)	**118,416**	85,964
Other receivables (b)	**2,762**	6,977
Less: provision for impairment of trade receivables	**(59)**	(175)
Less: provision for impairment of other receivables	**(2,500)**	(4,614)
Trade and other receivables	**118,619**	88,152

(a) Trade receivables

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade receivables	**118,416**	85,964

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

As of 30 June 2024 and 31 December 2023, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 30 days	**91,378**	54,628
31 days to 90 days	**26,683**	31,213
91 days to 180 days	**348**	116
1 year to 2 years	**–**	7
2 year to 3 years	**7**	–
	118,416	85,964

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.

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

(b) Other receivables

	30 June 2024 RMB'000	31 December 2023 RMB'000
Deposits	**2,500**	6,764
Others	**262**	213
Other receivables	**2,762**	6,977

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
RMB	**121,178**	88,677
NTD	**–**	4,300
	121,178	92,977

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.

13 SHARE CAPITAL

	Number of ordinary shares	Share capital RMB'000
As at 1 January 2023 (Audited) and 31 December 2023 (Audited)	772,787,887	2,297,499
As at 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	772,787,887	2,297,499

As at 30 June 2024 and 31 December 2023, 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.

14 BORROWINGS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Current		
– Unsecured bank borrowings (Note (a))	**68,090**	41,600
Non-current		
– Unsecured bank borrowings (Note (b))	**314,918**	302,685
	383,008	344,285

Note (a): As at 30 June 2024, bank loans will be repayable within one year and bear annual interest rate ranging from 2.64% to 4.05% (As at 31 December 2023: from 2.95% to 4.00%).

Note (b): As at 30 June 2024, bank loans will be repayable over one year and bear annual interest rate ranging from 3.30% to 4.05% (As at 31 December 2023: from 3.50% to 4.20%).

As at 30 June 2024 and 31 December 2023, the Group has the following undrawn bank facilities:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Bank facilities	**323,892**	265,715

As at 30 June 2024 and 31 December 2023, the Group's bank borrowings were repayable as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	**68,090**	41,600
Between 1 and 2 years	**159,800**	94,730
Between 2 and 5 years	**39,960**	131,041
Over 5 years	**115,158**	76,914
	383,008	344,285

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

	30 June 2024	31 December 2023
Bank borrowings	**3.81%**	3.83%

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.

15 TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Accrued promotion expenses	**189,441**	193,297
Trade payables	**30,317**	35,710
Staff salaries and welfare payables	**21,079**	28,668
Payables for purchase of property, plant and equipment	**15,759**	42,859
Deposits payables	**3,750**	800
Tax payable	**1,537**	1,659
Refund liabilities	**280**	170
Others	**17,150**	19,771
	279,313	322,934

As at 30 June 2024 and 31 December 2023, the ageing analysis of trade payables based on invoice date are as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 3 months	**25,042**	33,990
3 months to 6 months	**4,738**	1,287
6 months to 12 months	**207**	255
1 year to 2 years	**245**	178
2 years to 3 years	**85**	–
	30,317	35,710

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
– RMB	**277,101**	320,984
– USD	**1,257**	1,400
– HKD	**691**	101
– NTD	**239**	449
– EUR	**25**	–
	279,313	322,934

16 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2024 (Year ended 31 December 2023: Nil).

17 COMMITMENTS

(a) Capital commitments

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Property, plant and equipment	**47,330**	82,600

18 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 2024 and 2023, and balances arising from related party transactions as at 30 June 2024 and 31 December 2023.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Huayao Suzhou	Joint venture of the Company (before 30 December 2023)

(b) Transactions with related parties

(i) Service expenses charged by related parties

	Six months ended 30 June	
	2024 RMB'000	2023 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.

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 2024, 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 2024 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 2024, 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 2024, 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	220,958,000 (L)	28.59%
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]	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 2024 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) Chengwei Evergreen Capital, L.P. directly held 56,573,500 Shares. Chengwei Evergreen Capital, L.P. is 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 Management, LLC is deemed to have an interest in the Shares held by Chengwei Evergreen Capital, L.P..

(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 2020 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 2024, 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, please refer to pages V-36 to V-47 of the Prospectus and Note 26 to the consolidated financial statements in the 2023 Annual Report.

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 2024 are as follows:

				Number of Shares underlying the Pre-IPO Share Options					
Date of grant	Date of vesting	Exercise period	Exercise price (per Share)[1]	Outstanding as at 31 December 2023	Granted	Exercised (during the six months ended 30 June 2024)	Cancelled (during the six months ended 30 June 2024)	Lapsed (during the six months ended 30 June 2024)	Outstanding as at 30 June 2024
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[2]	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)[1]	Number of Shares underlying the Pre-IPO Share Options					
				Outstanding as at 31 December 2023	Granted	Exercised (during the six months ended 30 June 2024)	Cancelled	Lapsed	Outstanding as at 30 June 2024
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[2]	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	5,247,100	–	–	–	–	5,247,100
Total				**7,819,600**	**–**	**–**	–	**–**	**7,819,600[3]**

Notes:

(1) The exercise price shall be the highest of the following three values as at the date of the Board's approval of the grant of the respective Pre-IPO Share Options: (i) the net asset value per Share based on the Company's most recent financial statements reviewed by its auditors; (ii) the price per Share in the Company's most recent capital injection; and (iii) US$1.00 per Share (which was the par value of each Share before the Companies Ordinance came into operation on 3 March 2014 and is taken as reference under the Pre-IPO Share Option Scheme), which is subject to adjustment in the event of subdivision, consolidation or reorganization of the Company's share capital. Subject to certain requirements, the exercise price shall be adjusted in accordance with a specified formula in the event of changes to the share capital of the Company. Prior to the listing of the Company's Shares on the Main Board of the Stock Exchange, the exercise price of all Pre-IPO Share Options were adjusted to approximately US$0.286 in accordance with the terms of the Pre-IPO Share Option Scheme. For details, please see pages V-37 to V-38 of the Prospectus.

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

(3) 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 7,819,600 Shares, which represents approximately 1.01% of the number of Shares in issue as at the date of this report.

2020 RESTRICTED SHARE AWARD SCHEME

On 29 May 2020, the Company adopted the 2020 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 2020 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 2020 Restricted Share Award Scheme was subsequently amended on 29 July 2020, 23 December 2021 and 1 November 2022. The 2020 Restricted Share Award Scheme shall remain valid and effective for a period of 10 years from the date of adoption, and its remaining life as at the date of this report is approximately 6 years.

The aggregate number of Shares which may be allotted and issued to the trustees under the 2020 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 2020 Restricted Share Award Scheme, the maximum number of Shares which may be allotted and issued to the trustees under the 2020 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 2020 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). Please refer to 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 2020 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 2020 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 2024, the remaining number of Shares capable of being allotted and issued to the trustees under the 2020 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 2023: 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 2020 Restricted Share Award Scheme was 13,141,591 Shares (31 December 2023: 12,141,591 Shares). Nonetheless, as the transitional arrangements set out in the "Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment" published by the Stock Exchange on 29 July 2022, which would allow grants involving new Shares to be made under the 2020 Restricted Share Award Scheme, has already ended, the Company intends to grant Share-based incentives under the newly adopted 2024 Restricted Share Award Scheme (but not the 2020 Restricted Share Award Scheme) going forward. Therefore, the aforesaid remaining number of Shares capable of being allotted and issued to the trustees will not be utilized, while the aforesaid number of unvested Shares capable of being reallocated to other non-connected person grantees may be migrated to the 2024 Restricted Share Award Scheme for satisfying grants thereunder.

For further details of the 2020 Restricted Share Award Scheme, 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 26 to the consolidated financial statements in the 2023 Annual Report.

2020 RESTRICTED SHARE AWARD SCHEME *(cont'd)*

Details of the movements of the Restricted Award Shares granted under the 2020 Restricted Share Award Scheme during the six months ended 30 June 2024 are as follows:

Trustee	Date of grant	Grant consideration (per Share)[2]	Number of Restricted Award Shares: Outstanding as at 31 December 2023	Granted, and allotted and issued to trustees (during the six months ended 30 June 2024)	Vested	Lapsed	Outstanding as at 30 June 2024	Earliest vesting date[1]	Expiry date
1. 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[3]	20 January 2029
		US$0.28634	49,848	–	–	–	49,848	The second anniversary of the fulfillment of certain R&D targets[3]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The third anniversary of the fulfillment of certain R&D targets[3]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fourth anniversary of the fulfillment of certain R&D targets[3]	20 January 2029
		US$0.28634	49,847	–	–	–	49,847	The fifth anniversary of the fulfillment of certain R&D targets[3]	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[3]	The date of the termination of the 2020 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[3]	The date of the termination of the 2020 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[3]	The date of the termination of the 2020 Restricted Share Award Scheme (currently expected to be 28 May 2030)
			5,699,999	–	–	–	5,699,999		

2020 RESTRICTED SHARE AWARD SCHEME *(cont'd)*

Trustee	Date of grant	Grant consideration (per Share)[2]	Number of Restricted Award Shares: Outstanding as at 31 December 2023	Granted, and allotted and issued to trustees (during the six months ended 30 June 2024)	Vested	Lapsed	Outstanding as at 30 June 2024	Earliest vesting date[1]	Expiry date
2. 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	11,439,341	–	–	–	11,439,341	Various dates, some of which are linked to the fulfillment of certain R&D targets[3]	Various dates
	23 December 2021	HK$0.6	10,040,000	–	–	–	10,040,000	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	–	–	1,000,000	3,600,000	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 2020 Restricted Share Award Scheme (currently expected to be 28 May 2030)
			26,079,341	–	–	1,000,000	25,079,341		
Total			**35,449,357**	**–**	**–**	**1,000,000**	**34,449,357[4]**		

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. There is no restriction on when a selected participant is required to pay the grant consideration to the Company in order to have his/her Restricted Award Shares vested.

(2) The grant consideration (per Share) for each grant was determined primarily with reference to (i) for the grant made on 29 May 2020, the exercise price of the Pre-IPO Share Options; and (ii) for the grants made on 23 December 2021 and 1 November 2022, a balance being struck between the intended effect of the grant in terms of talent retention and incentivization and the expected profit and loss impact of such grant on the Group.

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

(4) The 34,449,357 Restricted Award Shares which were outstanding as at 30 June 2024 have already been allotted and issued to the relevant trustees at various dates shortly after the relevant date of grant.

2024 RESTRICTED SHARE AWARD SCHEME

On 29 May 2024, the Company announced the proposed adoption of the 2024 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 provide the Company with the flexibility of granting Share-based incentives with existing Shares in addition to new Shares to be allotted and issued (but not only new Shares to be allotted and issued, as in the case of the 2020 Restricted Share Award Scheme), thereby reducing the dilution to the Company's share capital and enabling Share-based incentives to be granted more efficiently. On 26 June 2024, the 2024 Restricted Share Award Scheme was approved and adopted by ordinary resolutions passed by the Shareholders at the annual general meeting of the Company. The 2024 Restricted Share Award Scheme shall remain valid and effective for a period of 10 years from the date of adoption, and its remaining life as at the date of this report is approximately 10 years.

The aggregate number of Shares which may be granted under the 2024 Restricted Share Award Scheme may not exceed 77,278,788 Shares. Pursuant to the terms of the 2024 Restricted Share Award Scheme, (i) the maximum number of Shares which may be issued in respect of all awards to be granted to service provider participants must not in aggregate exceed 3,863,939 Shares; and (ii) unless the relevant grant is separately approved by Shareholders in general meeting, (1) no award shall be granted to any selected participant at any one time or in aggregate which would result in the total number of Shares issued and to be issued in respect of all options or awards granted and proposed to be granted to such selected participant in any 12-month period up to and including the date of such grant to exceed 7,727,878 Shares; (2) no award shall be granted to any selected participant who is a Director (other than an independent non-executive Director) or chief executive of the Company or any of their associates which would result in the total number of the Shares issued and to be issued in respect of all awards already granted or to be granted to such selected participant in the 12-month period up to and including the date of such grant in aggregate to exceed 772,787 Shares; and (3) no award shall be granted to any selected participant who is an independent non-executive Director or a substantial shareholder of the Company or any of their respective associates which would result in the total number of the Shares issued and to be issued in respect of all options and awards already granted or to be granted to such selected participant in the 12-month period up to and including the date of such grant in aggregate to exceed 772,787 Shares.

As at 30 June 2024, no award had been granted under the 2024 Restricted Share Award Scheme, and hence all of the aforesaid scheme limits remained unused and unchanged.

For further details of the 2024 Restricted Share Award Scheme, please refer to pages 12 to 25 of the Company's circular dated 30 May 2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the six months ended 30 June 2024 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 2024, 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 2024.

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 C1 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 2024, 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 C3 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 2024 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. (晟德大藥廠股份有限公司) ("Centerlab") and Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) (維梧（蘇州）健康產業投資基金（有限合夥）) ("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")

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

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").

On 15 March 2024, the Board resolved to change the proposed applications of a certain portion of the then unused Net Proceeds (the "Re-allocation"). Details of the Re-allocation were set out in the 2023 annual results announcement of the Company dated 15 March 2024 (the "2023 Annual Results Announcement").

During the six months ended 30 June 2024, part of the Net Proceeds were utilized 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 and the section headed "Other Information – Use of Net Proceeds from the Subscriptions and Change in Use of Unused Net Proceeds" in the 2023 Annual Results Announcement.

During the six months ended 30 June 2024, such Net Proceeds amounting to approximately RMB43,841 thousand were used, and the unused amount of the Net Proceeds was approximately RMB66,515 thousand as at 30 June 2024. The unused Net Proceeds were kept by the Group as deposits with licensed commercial banks. Such unused Net Proceeds are intended to be applied in accordance with the proposed applications as set out in the Circular and the 2023 Annual Results Announcement.

A breakdown of the use of the aforesaid Net Proceeds during the six months ended 30 June 2024 and an expected timeline for the use of the unused portion (taking into account the Re-allocation) are set forth as follows:

Purpose	Allocated percentage based on the Circular	Net Proceeds allocated based on the Circular (RMB'000)	Used during the six months ended 30 June 2024 (RMB'000)	Unused amount as at 30 June 2024 after the Re-allocation (RMB'000)	Expected timing for the full utilization of the unused amount (taking into account the Re-allocation)
(1) For capital expenditure on the construction of Global Research and Development Service Center and upgrade of production workshops to expand production capacity and to enhance production efficiency.	35%	141,608	36,659	13,769	31 December 2025
(2) For the ongoing development of products, of which:	25%:	101,148	925	47,682	
(a) For the Phase III clinical trial of TAA013 (anti-HER2 ADC, HER2+ advanced breast cancer) and the subsequent matters in connection therewith;	(a) 15.73%	63,643	669	11,308	31 December 2024

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

Purpose	Allocated percentage based on the Circular	Net Proceeds allocated based on the Circular (RMB'000)	Used during the six months ended 30 June 2024 (RMB'000)	Unused amount as at 30 June 2024 after the Re-allocation (RMB'000)	Expected timing for the full utilization of the unused amount (taking into account the Re-allocation)
(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);	(b) 8.02%	32,448	253	21,377	31 December 2025
(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; and	(c) 1.25%	5,057	–	–	–
(d) For the continuous optimization of launched products.	–	–	3	14,997	31 December 2025
(3) For the ongoing development and support of CDMO and CMO business.	20%	80,919	–	–	–
(4) For commercial production, marketing and sales activities of three products with marketing approvals obtained, namely TAB008, TOZ309 and TOM218.	10%	40,459	–	–	–
(5) For working capital and other general corporate purposes.	10%	40,459	6,257	5,064	31 December 2024
Total[1]	**100%**	**404,593**	**43,841**	**66,515**	

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 2024.

CHANGES IN DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

With effect from 15 July 2024, Mr. Chang, Hong-Jen has ceased to be a director of Medeon Biodesign, Inc. (Taipei Exchange: 6499). He has been appointed as a director of Universal Vision Biotechnology Co., Ltd. (Taipei Exchange: 3218) with effect from 19 June 2024.

With effect from 17 July 2024, Ms. Xiao, Ben has been admitted as an International Affiliate of the Hong Kong Institute of Certified Public Accountants.

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 2023 Annual Report (being 15 March 2024) 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 D2 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 D2 to the Listing Rules has not changed materially from the information disclosed in the 2023 Annual Report.

DEFINITIONS

"2020 Restricted Share Award Scheme"	the 2020 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, in its announcements dated 23 December 2021 and 1 November 2022 and in the section headed "Other Information – 2020 Restricted Share Award Scheme" of this interim report
"2023 Annual Report"	the 2023 annual report of the Company published on 26 April 2024
"2024 Restricted Share Award Scheme"	the 2024 restricted share award scheme adopted by the Company on 26 June 2024, details of which are disclosed on pages 12 to 25 of the Company's circular dated 30 May 2024 and in the section headed "Other Information – 2024 Restricted Share Award Scheme" of this interim report
"ADC"	antibody-drug conjugate
"Board"	the board of Directors of the Company
"CAGR"	compound annual growth rate
"CDMO"	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"Centerlab"	Center Laboratories, Inc. (晟德大藥廠股份有限公司), a company incorporated in Taiwan with limited liability on 4 November 1959 whose shares are listed on the Taipei Exchange (stock code: 4123)
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
"CMO"	contract manufacturing organization, which is a pharmaceutical company that manufactures drugs for other pharmaceutical companies on a contractual basis
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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)

Definitions

"CRO"	contract research organization, which is a pharmaceutical company that conducts research for other pharmaceutical companies on a contractual basis
"date of this report"	13 August 2024, 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
"EU"	the European Union
"FDA"	the Food and Drug Administration of the United States
"GMP"	good manufacturing practice
"Group", "we", "us", "TOT BIOPHARM" or "TOT"	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
"Huayao" or "Huayao Suzhou"	Huayao Pharmaceutical (Suzhou) Company Limited (華曜醫藥(蘇州)有限公司), a company incorporated in the PRC with limited liability on 23 November 2021, which was an associate of the Company and a joint venture of the Group before the cancellation of its business registration on 30 December 2023
"IND"	investigational new drug application
"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

"Lumosa"	Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司), a company incorporated in Taiwan with limited liability on 13 November 2000 whose shares are listed on the Taipei Exchange (stock code: 6535), which is an associate of Centerlab
"mAb"	monoclonal antibody
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 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 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 and in the section headed "Other Information – Pre-IPO Share Option Scheme" of this interim report
"Prospectus"	the prospectus dated 29 October 2019 published by the Company
"QP"	Qualified Person
"R&D"	research and development
"RMB"	Renminbi, the lawful currency of the PRC
"Restricted Award Share(s)"	the Share(s) granted under the 2020 Restricted Share Award Scheme or the 2024 Restricted Share Award Scheme (as the case may be) and allotted and issued (or to be allotted and issued) to the trustees thereunder
"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

Definitions

"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriptions"	the allotment and issue of Shares by the Company to Centerlab and Vivo Suzhou Fund, which was announced on 31 May 2022 and completed on 29 July 2022
"Taipei Exchange"	Taipei Exchange (證券櫃檯買賣中心) in Taiwan
"TOT Suzhou"	TOT BIOPHARM Co., Ltd. (東曜藥業有限公司), a company incorporated in the PRC with limited liability on 5 July 2010, which is a wholly-owned subsidiary of the Company
"United States" or "US"	the United States of America
"US$" or "USD"	United States dollar(s), the lawful currency of the United States
"Vivo Capital Fund VIII" or "Vivo Capital Fund VIII, L.P."	Vivo Capital Fund VIII, L.P., a limited partnership organized in the State of Delaware of the United States on 17 December 2014, which is a Shareholder
"Vivo Suzhou Fund"	Vivo (Suzhou) Health Industry Investment Fund (Limited Partnership) (維梧(蘇州)健康產業投資基金(有限合夥)), a limited partnership organized in the PRC on 26 November 2021, which is a Shareholder
"Yaozhan"	Yaozhan Pharmaceutical Jiangsu Co., Ltd. (曜展醫藥江蘇有限公司), a company incorporated in the PRC with limited liability on 13 May 2021, which is a wholly-owned subsidiary of the Company

In this interim report, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "continuing connected transaction(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.