CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Ms. Yeh-Huang, Chun-Ying *(General Manager)*
Dr. Liu, Jun

NON-EXECUTIVE DIRECTORS
Mr. Fu, Shan *(Chairman)*
Dr. Kung, Frank Fang-Chien
Mr. Kang, Pei
Mr. Qiu, Yu Min

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Hu, Lan
Dr. Sun, Lijun Richard
Mr. Chang, Hong-Jen

AUDIT AND CONNECTED TRANSACTIONS REVIEW COMMITTEE
Ms. Hu, Lan *(Chairlady)*
Mr. Qiu, Yu Min
Mr. Chang, Hong-Jen

REMUNERATION COMMITTEE
Mr. Chang, Hong-Jen *(Chairman)*
Mr. Kang, Pei
Dr. Sun, Lijun Richard

NOMINATION COMMITTEE
Mr. Fu, Shan *(Chairman)*
Ms. Hu, Lan
Dr. Sun, Lijun Richard

STRATEGY COMMITTEE
Mr. Fu, Shan *(Chairman)*
Ms. Yeh-Huang, Chun-Ying
Dr. Liu, Jun
Mr. Chang, Hong-Jen
Dr. Sun, Lijun Richard

JOINT COMPANY SECRETARIES
Mr. Yao, Jau-Chang
Mr. Lui, Wing Yat Christopher *(Associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute in the United Kingdom)*

AUTHORIZED REPRESENTATIVES
Ms. Yeh-Huang, Chun-Ying
Mr. Lui, Wing Yat Christopher

SHARE REGISTRAR
Tricor Investor Services Limited

REGISTERED OFFICE
Level 54, Hopewell Centre,
183 Queen's Road East,
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

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

LEGAL ADVISER
Sullivan & Cromwell (Hong Kong) LLP

INVESTORS AND MEDIA RELATIONS CONSULTANT
Strategic Financial Relations (China) Limited

COMPLIANCE ADVISER
Somerley Capital Limited

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND COMPANY PROFILE

As the incidence of cancer in China has been rising in recent years, the potential market demand for oncology drugs has grown. According to a report by Frost & Sullivan, the overall five-year survival rate of oncology patients in China between 2012 and 2015 was 40.5%, while that in the United States between 2009 and 2015 was 67.1%. With a series of national supportive policies introduced, China's oncology drug development capability has grown rapidly, and the affordability of oncology drugs and the survival rate of oncology patients are expected to improve. Given the enormous market for oncology drugs in China, opportunities always come with competition.

The Company was incorporated in 2009 with its headquarters in Suzhou Industrial Park, Jiangsu Province, China. We are dedicated to developing and commercializing innovative oncology drugs and therapies and are striving to build a leading brand name in oncology treatments that is trusted by patients and their families as well as medical professionals. We have a comprehensive product pipeline of oncology drug candidates and technology development platforms, comprising biological drugs, ADCs and chemical drugs targeting various types of cancers.

The Company has established a "two-chain four-platform" system, where the two chains refer to a complete industry value chain as well as a high-level and extensive product chain, and the four platforms refer to an innovative technology platform, a clinical research platform, an upscale commercial production platform as well as a marketing and business platform. The integrated and independent operation of all value chains and platforms penetrates all the key aspects of the oncology drug industry value chain.

BUSINESS REVIEW

In light of the robust development of China's pharmaceutical industry and the intense competition in the biopharmaceutical market, we have accelerated our pace of strategic development, focused our resources on areas of strength, enhanced our innovation capabilities and also strengthened our competitiveness in the field of ADC products, thereby aspiring to be the leader in China's ADC market. As the Company continued to hone its independent innovation capabilities in developing oncology drugs, we have established a comprehensive ADC technology and development platform. Among the drugs being developed, the self-developed TAA013, an HER2-targeted ADC candidate, has successfully entered Phase III clinical trial, which is the first ADC product under the generic name (INN) of T-DM1 entering Phase III clinical trial in China's market.

In the first half of 2020, we had been proactively promoting the clinical trials and new drug launch processes of key products; optimizing the product pipeline and enhancing the level of innovation; improving the ADC commercial production platform and opening up the technology platform; and advancing the collaboration in the areas of CDMO and CMO as well as innovative drugs to prepare ourselves for a new stage of commercial development.

PRODUCT DEVELOPMENT STRATEGIES

In the first half of 2020, the Group actively promoted strategic development and upgrade, thereby converging resources, manifesting strengths and developing core competencies:

- Accelerating the launch processes of 5 clinical-stage products, including mAb drugs TAB008 and TAB014, ADC drug TAA013 and chemical drugs TOZ309 and TOM312.
- Focusing on core strengths and optimizing the pipeline of early-stage products.
- Strengthening the ADC platform and diversifying the pipeline of ADC products to continuously enhance the level of innovation.
- Actively expanding CDMO and CMO businesses and strengthening project-based collaboration to create new sources of revenue growth.
- Fully opening up the R&D technology platform to foster collaboration among strong market players, thereby reducing the costs and risks of new drug development and accelerating the launch processes of new drugs.
- Intensifying the recruitment and motivation of talents.

In line with the Company's strategic plan, we have analyzed and sorted out our 12 pipeline products, with our core products and key products strengthened:

Drug Candidates	Indication(s)	Pre-Clinical / Phase I / Phase II / Phase III / NDA[1]
TAB008[2] (anti-VEGF mAb)	nsNSCLC	mAb
TAA013 (anti-HER2 ADC)	HER2+ breast cancer	ADC
TAB014[3] (anti-VEGF mAb)	wAMD	mAb
TAY018 (anti-CD47 mAb)	Non-Hodgkin's lymphoma, myelodysplastic syndrome, acute myelogenous leukemia, solid tumors	mAb
Small molecular chemical drugs		
TOZ309 (temozolomide)	Small molecule generics	Submission of ANDA[4]
TOM312 (megestrol acetate)	Cancer- and HIV-associated cachexia	BE study
TIC318 (carboplatin)	Epithelial-derived ovarian cancer, small-cell lung cancer, head and neck squamous cell carcinoma, testicular tumors, malignant lymphoma, cervical cancer, bladder cancer, NSCLC	CMC
Optimized and platformized products		
TAD011 (anti-EGFR mAb)	Nasopharyngeal cancer, esophageal cancer, pancreatic cancer	Phase I → mAb product
TEP118 (modified version of hyaluronidase)	Biliary cancer, gallbladder tumors, metastatic cancer, NSCLC, gastric cancer	Pre-clinical → Recombinant protein
TVP211 (genetically modified vaccinia virus)	Solid tumors	Pre-clinical → Oncolytic virus product
TID214 (liposomal docetaxel)	Solid tumors	Pre-clinical → Liposome chemical drug
TIO (liposomal oxaliplatin)	Gastrointestinal tumors	Pre-clinical → Liposome chemical drug

Key product Optimized and platformized product

Notes: (1) NDA is applicable to the application of new drugs and Category 5.1 imported drugs

(2) TAB008 is a bevacizumab biosimilar. Bevacizumab has been approved for the treatment of NSCLC and metastatic colorectal cancer (mCRC) in China. Additional indications of bevacizumab approved in the United States or the European Union include glioblastoma, renal cell carcinoma, cervical cancer, ovarian cancer, breast cancer and hepatocellular carcinoma

(3) TAB014 is an ophthalmic formulation of bevacizumab, with the right of commercialization in Mainland China, Hong Kong and Macau licensed out

(4) ANDA is applicable to the application of generic drugs or Category 5.2 imported drugs

Cautionary statement required by Rule 18A.05 of the Listing Rules: The Company cannot guarantee that it will be able to develop, or ultimately market, TAB008 and TAA013 successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the securities of the Company.

KEY MILESTONES AND BUSINESS PROGRESS

In the first half of 2020, the Company achieved the following key milestones and business progress:

- Clinical Trial Progress
  - TAB008 (anti-VEGF mAb) (nsNSCLC): As the Company's most advanced biological drug candidate and core product, TAB008 has met the primary endpoints of its Phase III clinical trial. The new version of the Administrative Measures for Drug Registration has been actively adopted and the NDA is soon to be filed.
  - TAA013 (anti-HER2 ADC) (HER2+ breast cancer): We have successfully commenced the Phase III clinical trial of this key clinical-stage product of the Company, and in July 2020 we completed the dosing in the first patient for the clinical trial.
  - TAB014 (anti-VEGF mAb) (wAMD): In early 2020, the Phase III proposal was approved by the German medical regulatory body Paul Ehrlich Institute (PEI). We have also submitted our request for consultation on China's regulations in relation to pivotal clinical trials to the National Center for Drug Evaluation (CDE).
- Commercialization and Production Progress
  - Successfully produced multiple batches of medicine for the Phase III clinical trial of TAA013, an ADC product.
  - Completed the infrastructure construction of the ADC drug substance production facility which will be put into operation in the second half of 2020.

KEY PRODUCTS IN CLINICAL TRIAL

- *TAB008: Our soon-to-be-commercialized product – meeting the enormous market demand for bevacizumab in China*

  TAB008 is our first to-be-commercialized product. It is an anti-VEGF mAb and a bevacizumab biosimilar for the treatment of nsNSCLC.

  The Phase III clinical trial of the drug was completed in April 2020 and the primary endpoints were met. The clinical study compares TAB008 and bevacizumab combined with paclitaxel and carboplatin chemotherapy for the first-line treatment of advanced or recurrent nsNSCLC. The endpoint compares the efficacy of TAB008 and Avastin by evaluating the objective response rate (ORR) of two groups of patients within the first 18 weeks of treatment (i.e. six three-week cycles).

- *TAA013: Entering Phase III clinical trial*

  TAA013 is currently the first ADC product under the generic name (INN) of T-DM1 entering Phase III clinical trial in China's market. It is an ADC candidate containing trastuzumab and an emtansine derivative (Trastuzumab-MCC-DM1), aiming to become an affordable alternative drug to Kadcyla for the treatment of HER2+ breast cancer. In July 2020, the drug was successfully dosed in the first patient in the Phase III clinical trial.

- *TAB014: Open for collaboration*

  TAB014 is an antibody developed based on bevacizumab for the treatment of retinal neovascularization (such as wAMD). Under the strategic collaboration with Lee's Pharmaceutical Holdings Limited, we granted the rights to its non-wholly-owned subsidiary, Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Limited, for clinical trials and commercial development activities in relation to TAB014 in the China region (including Mainland China, Hong Kong and Macau). The collaboration enables us to receive milestone payments and to share the profits from future sales after the launch of the drug. According to a report by Frost & Sullivan, China's market size for anti-VEGF mAbs for the treatment of wAMD is expected to reach approximately RMB8 billion in 2024.

- *TOM312: An innovative oral suspension with bioequivalence (BE) tests completed*
  TOM312 is a generic drug candidate for Megace (megestrol acetate oral suspension) for the treatment of cancer- and HIV-associated cachexia. The bioequivalence (BE) tests were completed in January 2020, and we have completed the development of key processes and technologies and achieved large-scale batch commercial production capacity with the relevant patent application filed. The process validation was also completed in July 2020.

- *TOZ309: ANDA and patent application for the prescription process submitted*
  TOZ309, a generic drug candidate for temozolomide capsule, is currently used as a first-line medication for the treatment of newly diagnosed and recurrent brain gliomas. In the first half of 2020, we focused on work related to process validation to advance the launch of TOZ309.

On the basis of the above clinical-stage products, we will continue to converge our resources as we place greater efforts on the following key clinical milestones and business developments in the second half of 2020:

(1) For TAB008, the NDA will be submitted to ensure the product progresses as planned.

(2) For TAA013, Phase III clinical trial has been launched as planned and the enrollment of patients for Phase III clinical trial will continue.

(3) In preparation for future clinical trials and commercial production of ADC product TAA013, the equipment in the ADC drug substance production facility will be tested as planned and put into operation soon.

(4) Leveraging the resources of our commercial production platforms and the strengths in our technology platforms, we will strengthen our collaboration in CDMO and CMO and enrich our ADC product pipeline.

BUSINESS HIGHLIGHTS

Since the inception of TOT BIOPHARM in 2009, our vision has been to improve the quality of life of cancer patients around the world with innovative technologies. Committed to the oncology field, we have established ourselves as a high-tech corporation integrating product R&D, production and marketing capabilities. Our products encompass mAb drugs, ADC drugs and small molecule drugs. Equipped with three integrated technology platforms, we possess commercial production capacity for mAbs and ADCs, a comprehensive quality management system in compliance with international standards and a professional team responsible for drug registration, enabling us to effectively conduct R&D and devise innovative solutions.

- *Our three integrated technology platforms*
  The Company is fully opening up its independent technology platforms to seek more extensive collaboration, accelerate the R&D process of drugs and enhance the level of innovation, which can in turn create diversified cash flow and more collaboration opportunities for the Company. At present, the Group has established three integrated technology platforms, including:

  (1) Therapeutic mAb and ADC Technology Platform: This platform is capable of performing a wide range of functions, from screening cell clones and building cell banks to chemistry, manufacturing and controls (CMC) development, pilot-scale study, scale-up production, purification as well as filling and packaging. To maximize the synergy of the development of antibody drugs, in addition to mAbs, we also further develop ADCs by linking the antibody to the cytotoxic agent. We are one of the few biopharmaceutical companies in China with ADC production capabilities. We are building a dedicated ADC production plant that meets GMP and international standards, which will lay the foundation for the commercial production of more ADC drugs in the future. Currently, we have developed on this platform three mAb or ADC drug candidates, namely TAB008, TAA013 and TAB014.

(2) **Gene Engineering Based Therapeutic Technology Platform:** This platform integrates anti-tumor immunotherapy, gene therapy and viral therapy. It functions as an R&D and manufacturing platform for the tumor-targeted recombinant oncolytic virus vector system. We have a dedicated R&D team in Zhangjiang Hi-Tech Park, Shanghai focusing on early discovery and enhancing our capability to collaborate with other innovative oncology drug companies. With integrated R&D capabilities, patents and state-of-the-art laboratories for molecular biology, cytology and virology as well as our first-class facilities, R&D and production of oncolytic virus products will continue to be conducted.

(3) **Innovative Drug Delivery Technology Platform:** An advanced targeted liposome drug delivery system is developed on this platform. Liposomes are increasingly used as a delivery system due to their biocompatibility, biodegradability, low toxicity, and aptitude to trap both hydrophilic and lipophilic drugs and simplify site-specific drug delivery to tumor tissues. Commercial-scale production of liposomes as a drug delivery system is difficult due to the sophistication of the technologies involved, and so far only around 10 liposome drug products have been launched globally. We have developed commercial-scale, GMP-compliant manufacturing capabilities for liposome drugs. Our production lines utilize aseptic isolators and are capable of producing OEL-5 chemical injections with consistency in quality. Through developing drugs like TIO217, we have accumulated extensive practical experience. In the future, we will focus on the research and technology development of liposome drug delivery systems for small molecule chemical and nucleic acid drugs with special preparations and complex formulations.

- *Advanced clinical progress of ADC drugs*

TAA013, the Company's independently developed ADC drug candidate, has successfully entered Phase III clinical trial. As the first ADC product under the generic name (INN) of T-DM1 entering Phase III clinical trial in China's market, TAA013 demonstrates a competitive edge in the market. This is also an important direction for the long-term strategic development of TOT BIOPHARM.

Unlike traditional chemotherapeutic drugs and biological drugs, ADC drugs are designed to utilize cytotoxicity to target cancer cells and eliminate them. Along with the targeting ability of antibodies, ADCs are integrated with specific antigens on tumor cell membranes, thereby inducing endocytosis and allowing antibodies and small cytotoxic molecules attached to them to enter cells. After lysosomal degradation, small molecule drugs are released into cells and induce cell apoptosis. Based on their mechanism of action, ADCs possess both the high cancer cell killing ability of chemical drugs and the targeting ability of biological drugs.

We have achieved technical breakthroughs in the regulation of glycoforms, enabling precise control of the composition of each glycoform to make them similar to the original drug candidate Kadcyla and freely regulable, such as up-regulation (G0F to G1F/G2F conversion) or down-regulation (G1F/G2F to G0F conversion).

In terms of safety, the clinical Phase I had no drug-related serious adverse effect or persistent adverse effect. Five dosage groups, namely 0.6mg/kg, 1.2mg/kg, 2.4mg/kg, 3.6mg/kg and 4.8mg/kg, were set up in Phase I clinical trial, with 3.6mg/kg as the final recommended dosage adopted for Phase III clinical trial.

- *Sharp competitive edge in commercial production of biological drugs and ADC drugs*

  Our biopharmaceutical mAb production base has a gross floor area of approximately 13,000 m^2 with a total designed production capacity of 16,000L, in which the construction of two 2,000L production lines for one-off production has been completed.

  We already possess pilot and commercial-scale ADC product production capabilities and have completed multiple batches of medicine for Phase III clinical trial. In the first half of 2020, the infrastructure construction of the ADC drug substance production facility was completed, and the facility is scheduled to be put into operation in September 2020.

  TOT BIOPHARM adopts its self-developed innovative cell expansion technology (PB-Hybrid Technology), marking the first domestic application of such technology to Phase III clinical trials or commercial production. This method is mainly characterized by the introduction of the perfusion culture process into cell expansion to generate cells of high density and high viability, enabling seed expansion in 25L WAVE bioreactors and a direct scale-up to 2,000L bioreactors and bypassing 10L, 50L, 200L and 500L bioreactors. It has the cost advantages of reducing capital expenditures and enhancing space utilization, shortening production cycles and improving equipment utilization, and streamlining process flows and reducing potential risks as well as costs of raw materials and labor.

- *Quality management system and drug registration team with an international reach*

  TOT BIOPHARM has established a comprehensive quality management system that complies with the required standards of the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH). The system is implemented throughout the entire product life cycle from R&D to process development, clinical drug production, commercial drug production, material and product supplier management, as well as post-marketing tracking.

  We have a professional quality control team which has completed a series of quality-related work in drug R&D, investigational new drug (IND) applications and clinical sample production. We have submitted the ANDA for TOZ309, and possess practical experience in new drug research and clinical application for TAA013 and TAB008. In February 2020, we communicated with the German medical regulatory body Paul Ehrlich Institute (PEI) on the clinical implementation strategy of TAB014. The NDA of TAB008 bevacizumab injection will be submitted in accordance with the new requirements under the Administrative Measures for Drug Registration. The timeframe for drug review and approval will be effectively shortened, and drug R&D and launching will be further accelerated.

  At the same time, we pay attention to patent protection. The proprietary nature of and protection afforded to our drug candidates and prescription processes are an important part of the strategy of new drug development and commercialization. We have been licensed 20 domestic or foreign invention patents, and have filed patent applications for certain drugs and drug candidates such as TAB014 and TAA013 while proactively seeking additional patent protection overseas.

- *Construction of marketing and business platforms*

FINANCIAL REVIEW

OVERVIEW

For the first half of 2020, the Group recorded a revenue of RMB13,030,000, as compared to RMB24,606,000 for the same period in 2019; and a net loss of RMB129,183,000, as compared to a net loss of RMB115,686,000 for the same period in 2019. The Group's research and development expenses for the first half of 2020 were RMB99,325,000, as compared to RMB75,804,000 for the same period in 2019. The Group's general and administrative expenses for the first half of 2020 were RMB24,118,000, as compared to RMB35,055,000 for the same period in 2019. The Group's selling expenses for the first half of 2020 were RMB13,726,000, as compared to RMB16,848,000 for the same period in 2019.

OPERATING REVENUE AND COST OF REVENUE

The Group's diversified revenue mainly derives from our strategic business partners, including commissions for marketing services in connection with the commercialization of brand-name drug S-1 and revenue for providing CDMO and CMO services to other biotechnology companies, etc.

The Group's commission revenue for the first half of 2020 was RMB10,111,000, representing a decrease of RMB4,892,000 from RMB15,003,000 for the same period in 2019, primarily attributable to the impact of the national volume-based procurement policy on the sales derived from the distribution of brand-name drug S-1.

The Group's revenue from CDMO and CMO services for the first half of 2020 was RMB2,715,000, representing a decrease of RMB6,700,000 from RMB9,415,000 for the same period in 2019, primarily attributable to the alignment with our customers' planned R&D schedules. The materials, labor and expenses, etc. necessary for the CDMO and CMO services also decreased along with the variation in business activities.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses primarily consist of expenses for clinical trials, salaries and benefits for research and development staff, depreciation and amortization expenses, research and development materials and consumables, and third-party contracting costs for clinical and non-clinical research, etc.

The Group's research and development expenses for the first half of 2020 were RMB99,325,000, as compared to RMB75,804,000 for the same period in 2019, which was mainly attributable to the Company's commencement of Phase III clinical trial for the TAA013 ADC project during the first half of 2020 soon after the completion of Phase I clinical trial that resulted in an increase in demand for active pharmaceutical ingredients (APIs), excipients and consumables by related contract research organizations (CROs) and for the preparation of clinical drugs.

The following table sets forth a breakdown of the Group's research and development expenses by nature for the periods indicated:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Clinical trials (exclude employee benefit expenses)	**23,880**	17,620
Employee benefit expenses	**29,915**	22,737
R&D materials and consumables	**17,252**	9,772
Amortization and depreciation	**13,988**	10,796
Others	**14,290**	14,879
Total	**99,325**	75,804

SELLING EXPENSES

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

The Group's selling expenses for the first half of 2020 were RMB13,726,000, representing a decrease of RMB3,122,000 from RMB16,848,000 for the same period in 2019. Such decrease was mainly attributable to the overall economic slowdown as a result of the outbreak of COVID-19 during the first half of 2020 which led to the suspension or postponement of various marketing events.

GENERAL AND ADMINISTRATIVE EXPENSES

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

The Group's general and administrative expenses for the first half of 2020 were RMB24,118,000, representing a decrease of RMB10,937,000 from RMB35,055,000 for the same period in 2019, mainly attributable to the IPO related expenses incurred during the same period in 2019.

FINANCE INCOME

The Group's finance income is primarily interest income on bank deposits. The finance income for the first half of 2020 was RMB698,000, representing a decrease of RMB900,000 from RMB1,598,000 for the same period in 2019, which was attributable to the placement of principal-guaranteed structured deposits with licensed commercial banks during the period, the interest income on which was recorded as other income instead of finance income.

FINANCE COSTS

The Group's finance costs are primarily interest expenses on bank borrowings for operational purposes.

The Group's interest expenses on bank borrowings for the first half of 2020 were RMB1,518,000, representing an increase of RMB1,105,000 from RMB413,000 for the same period in 2019. Such increase was mainly attributable to a higher amount of banking facilities being utilized for research and development as well as operating activities since mid-2019, and a higher level of borrowings recorded for the period as compared to the same period in 2019.

FAIR VALUE CHANGE IN FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The Group's financial instruments issued to investors were convertible preferred shares issued in 2018, which were automatically converted into ordinary shares of the Company upon the IPO on 8 November 2019.

The fair value change in the financial instruments issued to investors was determined mainly with reference to the total equity value of the Group as determined by an independent valuer. During the first half of 2020, the Group had no financial instruments issued to investors, while the fair value loss in financial instruments issued to investors amounted to RMB5,894,000 for the same period in 2019.

INCOME TAX EXPENSE

For the first half of 2020 and the same period in 2019, the Group did not incur any income tax expense because the Group did not generate any taxable income during these periods.

LOSS FOR THE PERIOD

In view of the abovementioned factors, the Group recorded a loss of RMB129,183,000 for the first half of 2020, representing an increase of RMB13,497,000 from RMB115,686,000 for the same period in 2019.

NET ASSETS

The Group's net assets as at 30 June 2020 were RMB744,089,000, representing a decrease of RMB114,188,000 from RMB858,277,000 as at the end of 2019, which was primarily attributable to the net loss and the increase in share-based compensation reserve during the period.

LIQUIDITY, FINANCIAL RESOURCES, CASH MOVEMENT AND SOURCE OF FUNDS

As at 30 June 2020, the Group's cash and cash equivalents were RMB113,509,000, representing a decrease of RMB425,671,000 from RMB539,180,000 as at the end of 2019. Such change was mainly attributable to the cash outflows related to operating loss, capital expenditures, the placement of principal-guaranteed structured deposits with licensed commercial banks, and the repayment of bank borrowings.

As at 30 June 2020, the Group's financial assets at fair value through profit or loss were RMB241,051,000, representing an increase of RMB208,912,000 from RMB32,139,000 as at the end of 2019. Such change was mainly attributable to the placement of principal-guaranteed structured deposits with licensed commercial banks during the period. For further details, please refer to note 11 to the interim condensed consolidated financial information.

During the first half of 2020, the Group's net cash outflows for operating activities were RMB106,948,000, representing a decrease of RMB17,018,000 from RMB123,966,000 for the same period in 2019, due to a higher amount of prepayments recorded during the same period in 2019. The Group's net cash outflows for investing activities for the period were RMB235,791,000, representing an increase of RMB207,944,000 from RMB27,847,000 for the same period in 2019, which was mainly attributable to the placement of principal-guaranteed structured deposits with licensed commercial banks and higher capital expenditures. The Group's net cash outflows for financing activities were RMB79,399,000, representing a decrease of RMB133,210,000 from the net cash inflows from financing activities of RMB53,811,000 for the same period in 2019, which was mainly attributable to the repayment of bank borrowings which were drawn down in 2019.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of TOT BIOPHARM International Company Limited
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 37, which comprises the interim condensed consolidated balance sheet of TOT BIOPHARM International Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Revenue	5	**13,030**	24,606
Cost of revenue		**(3,141)**	(7,352)
Research and development expenses		**(99,325)**	(75,804)
Selling expenses		**(13,726)**	(16,848)
General and administrative expenses		**(24,118)**	(35,055)
Other losses – net		**(1,083)**	(524)
Operating loss		**(128,363)**	(110,977)
Finance income		**698**	1,598
Finance costs		**(1,518)**	(413)
Finance (costs)/income – net		**(820)**	1,185
Fair value change in financial instruments issued to investors		**–**	(5,894)
Loss before income tax	6	**(129,183)**	(115,686)
Income tax expense	7	**–**	–
Loss for the period and attributable to the equity holders of the Company		**(129,183)**	(115,686)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity instruments at fair value through other comprehensive income		**1,363**	(136)
Items that may be reclassified to profit or loss			
Exchange differences on translation		**2,858**	(956)
Other comprehensive income/(loss) for the period, net of tax		**4,221**	(1,092)
Total comprehensive loss for the period and attributable to the equity holders of the Company		**(124,962)**	(116,778)
Loss per share for the six months ended 30 June and attributable to the equity holders of the Company			
– Basic and diluted loss per share (RMB)	8	**(0.23)**	(0.39)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**310,820**	300,230
Prepayments for property, plant and equipment		**677**	9,244
Right-of-use assets	9	**21,247**	28,435
Intangible assets	9	**2,839**	2,391
Financial assets at fair value through other comprehensive income		**9,354**	7,991
Other non-current assets		**61,568**	54,708
		406,505	402,999
Current assets			
Inventories		**11,070**	15,250
Trade and other receivables	10	**11,500**	14,406
Prepayments		**26,152**	10,938
Contract assets		**4,145**	2,450
Financial assets at fair value through profit or loss	11	**241,051**	32,139
Cash and cash equivalents		**113,509**	539,180
		407,427	614,363
Total assets		**813,932**	1,017,362
EQUITY			
Share capital	12	**1,874,438**	1,874,438
Other reserves		**51,920**	36,925
Accumulated losses		**(1,182,269)**	(1,053,086)
Capital and reserves attributable to the equity holders of the Company		**744,089**	858,277
Total equity		**744,089**	858,277

Interim condensed consolidated balance sheet

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**6,197**	12,299
Current liabilities			
Borrowings	13	**–**	60,000
Accruals and other payables	14	**57,532**	81,418
Contract liabilities		**4,469**	2,593
Lease liabilities		**1,645**	2,775
		63,646	146,786
Total liabilities		**69,843**	159,085
Total equity and liabilities		**813,932**	1,017,362
Net current assets		**343,781**	467,577
Total assets less current liabilities		**750,286**	870,576

Ms. Yeh-Huang, Chun-Ying
Director

Mr. Liu, Jun
Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to equity holders of the Company			
	Share capital RMB'000	**Other reserves** RMB'000	**Accumulated losses** RMB'000	**Total equity/(deficit)** RMB'000
Balance at 1 January 2020	**1,874,438**	**36,925**	**(1,053,086)**	**858,277**
Loss for the period	**–**	**–**	**(129,183)**	**(129,183)**
Other comprehensive income	**–**	**4,221**	**–**	**4,221**
Total comprehensive loss	**–**	**4,221**	**(129,183)**	**(124,962)**
Transactions with owners				
Share-based compensation expense	**–**	**10,774**	**–**	**10,774**
Total transactions with owners	**–**	**10,774**	**–**	**10,774**
Balance at 30 June 2020	**1,874,438**	**51,920**	**(1,182,269)**	**744,089**
Balance at 1 January 2019	537,859	31,449	(753,786)	(184,478)
Loss for the period	–	–	(115,686)	(115,686)
Other comprehensive loss	–	(1,092)	–	(1,092)
Total comprehensive loss	–	(1,092)	(115,686)	(116,778)
Transactions with owners				
Share-based compensation expense	–	9,343	–	9,343
Total transactions with owners	–	9,343	–	9,343
Balance at 30 June 2019	537,859	39,700	(869,472)	(291,913)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Cash used in operating activities		
Net cash used in operations	**(106,312)**	(125,349)
Interest received	**698**	1,598
Interest paid	**(1,334)**	(215)
Net cash used in operating activities	**(106,948)**	(123,966)
Cash flow used in investing activities		
Purchase and prepayment of property, plant and equipment	**(27,177)**	(17,011)
Purchase of intangible assets	**(835)**	(213)
Proceeds from disposal of property, plant and equipment	**5**	–
Investment in financial assets at fair value through profit or loss	**(343,000)**	(17,000)
Proceeds from disposal of financial assets at fair value through profit or loss	**135,216**	6,377
Net cash used in investing activities	**(235,791)**	(27,847)
Cash flows (used in)/generated from financing activities		
Proceeds from bank borrowings	**–**	60,000
Payment for listing expenses	**(18,219)**	(4,615)
Repayment of bank borrowings	**(60,000)**	(500)
Payment of lease liabilities	**(1,180)**	(1,074)
Net cash (used in)/generated from financing activities	**(79,399)**	53,811
Net decrease in cash and cash equivalents	**(422,138)**	(98,002)
Cash and cash equivalents at beginning of the period	**539,180**	256,751
Exchange losses on cash and cash equivalents	**(3,533)**	(1,615)
Cash and cash equivalents at end of the period	**113,509**	157,134

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

TOT BIOPHARM International Company Limited (the "Company") was incorporated in Hong Kong on 4 December 2009 as a company with limited liability under the Hong Kong Law. The address of its registered office is Level 54, Hopewell Centre, 183 Queen's Road East, 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 in the People's Republic of China (the "PRC").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the 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 2020 has been prepared in accordance with Accounting Standard HKAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period.

The financial information relating to the year ended 31 December 2019 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019 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).

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

2.1 Basis of preparation *(cont'd)*

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of 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.

(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.

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

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:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment	1 January 2022
Amendments to HKFRS 3	Business Combinations	1 January 2022
Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management mechanism since year ended 31 December 2019 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 2020

	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	Total RMB'000
Accruals and other payables (Note 14)	48,217	–	–	–	48,217
Lease liabilities (including interest payables)	1,676	1,149	3,193	3,377	9,395
	49,893	1,149	3,193	3,377	57,612

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.2 Liquidity risk *(cont'd)*

As at 31 December 2019

	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	Total RMB'000
Accruals and other payables (Note 14)	71,310	–	–	–	71,310
Borrowings (including interest payables)	61,436	–	–	–	61,436
Lease liabilities (including interest payables)	2,849	2,238	5,919	7,380	18,386
	135,595	2,238	5,919	7,380	151,132

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.

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The following table presents the Group's assets hat were measured at fair value at 30 June 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss	–	–	**241,051**	**241,051**
Financial assets at fair value through other comprehensive income	**9,354**	–	–	**9,354**
	9,354	–	**241,051**	**250,405**

The following table presents the Group's assets that were measured at fair value at 31 December 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss	–	–	32,139	32,139
Financial assets at fair value through other comprehensive income	7,991	–	–	7,991
	7,991	–	32,139	40,130

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

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 2020 (For the six months ended 30 June 2019: 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 2020 (For the six months ended 30 June 2019: same).

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	**Fair value at 30 June 2020 RMB'000**	**Valuation Technique**	**Unobservable Inputs**	**Range of inputs (probability-weighted average)**	**Relationship of unobservable inputs to fair value**
Financial products	**241,051**	Discounted cash flow method	Rate of return	**1.30%-5.70% (2.88%)**	The higher the rate of return, the higher the fair value

Description	Fair value at 31 December 2019 RMB'000	Valuation Technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Financial products	32,139	Discounted cash flow method	Rate of return	2.00%-3.57% (2.29%)	The higher the rate of return, the higher the fair value

3 FINANCIAL RISK MANAGEMENT *(cont'd)*

3.3 Fair value estimation *(cont'd)*

If the rate of return of financial products held by the Group had been 1% higher/lower, the loss before income tax for the six months ended 30 June 2019 and 2020 would have been approximately RMB279,000 lower/higher and RMB2,400,700 lower/higher.

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 six months ended 30 June 2020.

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments and principal activities

The Group is engaged in the research, development and licensing of self-developed biological drug. 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) License agreement with a customer

In January 2017, the Group entered into an agreement with 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 agreement includes non-refundable upfront payment, milestone payments and sales-based royalty upon commercialization of the know-how. For the six months ended 30 June 2020, no milestone was achieved and therefore, no revenue was recognized during the six months ended 30 June 2020 (For the six months ended 30 June 2019: same).

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

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
At a point in time:		
– Commission revenue	**10,111**	15,003
– Sales of goods	**204**	179
– CMO	**–**	6,465
Over time:		
– CDMO	**2,715**	2,950
– Others	**–**	9
	13,030	24,606

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contract assets – Consideration for commission	**4,145**	2,450
Contract liabilities – CDMO	**(4,469)**	(2,593)
	(324)	(143)

(i) Contract liabilities arise from CDMO and CMO which are recognized when the payments are received before the services are rendered to customers and will be recorded as revenue within one year.

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

(e) 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	
	2020 RMB'000	2019 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period		
– Service revenue – CDMO	**2,128**	1,729
– Service revenue – CMO	**–**	1,293
	2,128	3,022

(f) Unfulfilled long-term contracts

The license contract includes an upfront fee of RMB8,400,000 (including tax) and development milestone payments of RMB48,100,000 (including tax) in aggregate. The contract also includes sales-based royalty. No revenue was recognized during the six months ended 30 June 2020 (For the six months ended 30 June 2019: nil) as no milestone was achieved. The remaining development milestones and sales-based royalty are not included in the transaction price based on the most likely amount and the application of the variable consideration constraint. As a result, as at 30 June 2020 after considering the constraint, there is no transaction price that would be allocated to unsatisfied performance obligations (As at 31 December 2019: same).

Except for the above-mentioned contracts, all other CDMO revenue contracts are for periods of one year or less and are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(g) Geographical information

Geographical information of revenue and non-current assets other than financial assets for the six months ended 30 June 2020 and 2019 is as follows:

	Six months ended 30 June			
	2020		2019	
	Revenue RMB'000	**Non-current assets RMB'000**	Revenue RMB'000	Non-current assets RMB'000
China	**13,030**	**396,352**	24,606	378,465
Others	**–**	**799**	–	1,373
	13,030	**397,151**	24,606	379,838

6 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Loss before taxation has been arrived at after charging:		
– Employee benefit expenses	**54,927**	46,599
– Clinical trials (exclude employee benefit expenses)	**23,880**	17,620
– R&D materials and consumables	**17,355**	10,586
– Depreciation and amortisation charge (Note 9)	**15,940**	13,089

7 INCOME TAX EXPENSE

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

The amounts of income tax expenses charged to the consolidated income statements represent:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax	**–**	–
Deferred income tax	**–**	–
	–	–

No provision for profits tax has been provided for as the Group has no estimated assessable profit.

8 LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2020	2019
Loss attributable to equity holders of the Company (RMB'000)	**(129,183)**	(115,686)
Weighted average number of ordinary shares in issue (thousand) (Note)	**570,000**	293,359
Basic loss per share (RMB)	**(0.23)**	(0.39)

Note: The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the six months ended 30 June 2020 and 2019 has been retrospectively adjusted for the capitalization issue.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2020, the Company had one category of potential ordinary shares: the stock options granted to employees (For the six months ended 30 June 2019, the Company had two categories of potential ordinary shares: Convertible preferred shares and the stock options granted to employees). As the Group incurred losses for the six months ended 30 June 2020 and 2019, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2020 and 2019 is the same as basic loss per share of the respective years.

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

	Property, plant and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
Six months ended 30 June 2020			
Opening net book amount as at 1 January 2020	**300,230**	**2,391**	**28,435**
Additions	**24,985**	**835**	**–**
Depreciation and amortisation charge (Note 6)	**(14,262)**	**(387)**	**(1,291)**
Disposals	**(133)**	**–**	**(5,913)**
Net exchange differences	**–**	**–**	**16**
Closing net book amount as at 30 June 2020	**310,820**	**2,839**	**21,247**

	Property, plant and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
Six months ended 30 June 2019			
Opening net book amount as at 1 January 2019	**294,420**	**1,901**	**29,324**
Additions	**8,445**	**213**	**1,636**
Depreciation and amortisation charge (Note 6)	**(11,569)**	**(272)**	**(1,248)**
Net exchange differences	**–**	**–**	**(22)**
Closing net book amount as at 30 June 2019	**291,296**	**1,842**	**29,690**

10 TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables from contracts with customers	**3,816**	6,741
Other receivables	**7,684**	7,665
Trade and other receivables	**11,500**	14,406

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables from contracts with customers	**3,816**	6,741

Cust0 l6(INT(As of ne)Tj1)TJthercember

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

(a) Other receivables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Advances to a supplier (Note (i))	**2,690**	2,600
Advances to employees (Note (ii))	**1,787**	1,393
Other receivables	**3,207**	3,672
Other receivables	**7,684**	7,665

Note (i) The party is a supplier of TOT Taipei. According to the purchase contract, the amount of the advance will be used to offset the purchase amount. In the scenario where the relevant purchase contract is early terminated and the advance has not been fully utilised, the supplier will repay the remaining amount within 60 days on an interest-free basis. The amount is unsecured.

Note (ii) The advances to employees are unsecured, interest bearing at 6% (2019: 6%) per annum, and repayable within one year.

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
RMB	**3,969**	4,310
USD	**7,484**	10,093
NTD	**47**	–
HKD	**–**	3
	11,500	14,406

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.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Opening balance	**32,139**	17,332
Change in fair value	**1,128**	155
Additions	**343,000**	17,000
Disposals	**(135,216)**	(6,377)
Closing balance	**241,051**	28,110

The Group entered into contracts in respect of wealth management products (being principal-guaranteed structured deposits) from licensed commercial banks with an expected but not guaranteed rates of return ranging from 1.30%-5.70% per annum for the six months ended 30 June 2020 (For the six months ended 30 June 2019: ranging from 2.00% to 3.57%). According to the contract terms, the Group should hold the financial products for at least 7 days. The Group managed and evaluated the performance of investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence are designated as financial assets at fair value through profit or loss as at 30 June 2020 (As at 30 June 2019: same).

12 SHARE CAPITAL

Issued and fully paid:

	Number of ordinary shares	Share capital RMB'000
As at 1 January 2020, 31 December 2019 and 30 June 2020	570,000,000	1,874,438

13 BORROWINGS

	30 June 2020 RMB'000	31 December 2019 RMB'000
Current		
– Unsecured bank borrowings	–	60,000

As at 30 June 2020 and 31 December 2019, the Group's bank borrowings were repayable as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 1 year	–	60,000

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

	30 June 2020	31 December 2019
Bank borrowings – RMB	–	4.788%

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

As at 30 June 2020, the Group has unutilised bank facilities of RMB250,000,000 (As at 31 December 2019: RMB122,000,000).

14 ACCRUALS AND OTHER PAYABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Accrued costs for research and development	**24,886**	20,200
Payables for purchase of property, plant and equipment	**5,120**	15,879
Staff salaries and welfare payables	**9,315**	10,108
Accrued listing expenses	**2,410**	20,629
Accrued promotion and advertisement fee	**–**	1,017
Payables due to related parties (Note 17)	**–**	520
Accrued office expenses and others	**15,801**	13,065
	57,532	81,418

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
– RMB	**51,740**	52,519
– HKD	**1,800**	12,969
– USD	**2,797**	11,937
– NTD	**1,195**	1,934
– GBP	**–**	1,493
– EUR	**–**	566
	57,532	81,418

15 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 (Year ended 31 December 2019: Nil).

16 CAPITAL COMMITMENTS

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Property, plant and equipment	**6,086**	27,944

17 RELATED PARTY TRANSACTIONS

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2020 and 2019, and balances arising from related party transactions as at 30 June 2020 and 31 December 2019.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Center Laboratories Inc. ("Centerlab")	Entity having significant influence over the Company
BioEngine Technology Development Inc.	Controlled by Centerlab

(b) Transactions with related parties

Continuing transactions

(i) Research contracting costs

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Centerlab	**–**	274

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.

17 RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Balances with related parties – trade

(i) Payables on conference fee

	30 June 2020 RMB'000	31 December 2019 RMB'000
BioEngine Technology Development Inc.	–	14

(ii) Payables on contracting costs

	30 June 2020 RMB'000	31 December 2019 RMB'000
Centerlab	–	506

The balances due to related parties were unsecured, non-interest bearing and had no fixed repayment term as at 30 June 2020 and 31 December 2019.

(d) Leasing arrangements

In February 2016, the Group signed a five-year office rental contract with Centerlab, which has an option for automatic extension upon expiry of the contract. The lease terms and prices were determined in accordance with mutual agreement, and rental payments are made on a monthly basis.

Lease liabilities:

– Outstanding balance:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Centerlab	**367**	697

– Interest expense:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Centerlab	**13**	47

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 2020, 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]
Ms. Yeh-Huang, Chun-Ying	Beneficial owner	7,115,700 (L)	1.25%
	Interest through equity derivatives[3][4]	1,162,500 (L)	0.20%
Dr. Liu, Jun	Interest through equity derivatives[3][4]	1,100,000 (L)	0.19%

Notes:

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

(2) The calculation is based on the total number of 570,000,000 Shares in issue as at 30 June 2020 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 Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun, respectively.

(4) These interests do not include the Restricted Award Shares granted to Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun under the Restricted Share Award Scheme, which had not been allotted and issued as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 2020, 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	179,561,700 (L)	31.50%
Mr. Pang Kee Chan Hebert[3]	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital Partners II Limited[3]	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital II L.P.[3]	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital II Master Investment Limited[3]	Interest in controlled corporation	49,136,800 (L)	8.62%
Advantech Capital Investment V Limited[3]	Beneficial owner	49,136,800 (L)	8.62%
Chengwei Evergreen Management, LLC[4]	Interest in controlled corporation	56,573,500 (L)	9.93%
Chengwei Evergreen Capital, L.P.[4]	Interest in controlled corporation	56,573,500 (L)	9.93%
Prime Success International Limited[4]	Beneficial owner	56,573,500 (L)	9.93%
Vivo Capital LLC[5]	Interest in controlled corporation	103,245,000 (L)	18.11%
Vivo Capital VIII, LLC[5]	Interest in controlled corporation	103,245,000 (L)	18.11%
Vivo Capital Fund VIII, L.P.[5]	Beneficial owner	90,718,100 (L)	15.92%

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

Notes:

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

(2) The calculation is based on the total number of 570,000,000 Shares in issue as at 30 June 2020 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

PRE-IPO SHARE OPTION SCHEME

Details of the movements of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2020 are as follows:

Date of grant	Date of vesting	Exercise period	Exercise price (per Share)	Number of Shares underlying the Pre-IPO Share Options				
				Outstanding as of 31 December 2019	Granted (during the period between 1 January 2020 and 30 June 2020)	Exercised (during the period between 1 January 2020 and 30 June 2020)	Cancelled/ Lapsed (during the period between 1 January 2020 and 30 June 2020)	Outstanding as of 30 June 2020
1. Ms. Yeh-Huang, Chun-Ying (Director)								
20 February 2013	All vested	Till 19 February 2023	Approximately US$0.286	0	–	–	–	0
14 December 2017	To be 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
2. Dr. Liu, Jun (Director)								
25 December 2017	To be 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	From the date of vesting till 20 January 2029	Approximately US$0.286	100,000	–	–	–	100,000
3. Senior management and other grantees (being employees of and consultants to the Group)								
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							

RESTRICTED SHARE AWARD SCHEME

On 29 May 2020, the Company adopted the Restricted Share Award Scheme, and entered into two trust deeds with the respective trustees to constitute the trusts in connection with the Restricted Share Award Scheme for the purpose of the grant of Restricted Award Shares to selected participants from time to time. The Restricted Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company. The Restricted Share Award Scheme was subsequently amended on 29 July 2020.

On 29 May 2020, following the adoption of the Restricted Share Award Scheme, the Board also resolved to make a grant of 31,413,796 Restricted Award Shares to 84 grantees (including two Directors) under the Restricted Share Award Scheme, including (i) 2,897,383 Restricted Award Shares granted to Ms. Yeh-Huang, Chun-Ying, a Director; (ii) 2,741,609 Restricted Award Shares granted to Dr. Liu, Jun, a Director; and (iii) 25,774,804 Restricted Award Shares granted to 82 non-Director grantees, being employees of and consultants to the Group.

As of 30 June 2020, the allotment and issue of the aforesaid 31,413,796 Restricted Award Shares had not taken place as it was subject to (i) the Shareholders having approved such allotment and issue at the Company's extraordinary general meeting to be held on 21 August 2020; and (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, such Restricted Award Shares.

For further details of the Restricted Share Award Scheme and the grant of the aforesaid 31,413,796 Restricted Award Shares, please refer to pages 8 to 21 of the Company's circular dated 3 August 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the six months ended 30 June 2020 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 2020, 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 2020.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that during the six months ended 30 June 2020, the Company has complied with all the applicable code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2020 and up to the date of this report.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On 8 November 2019, the Company issued 90,000,000 Shares at a price of HK$6.55 per Share in connection with the Global Offering. The net proceeds raised from the Global Offering were approximately RMB448,615,000 after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering.

As at 30 June 2020, the Company's unused amount of the net proceeds raised from the Global Offering amounted to approximately RMB321,656,000, and were being kept as bank deposits as well as principal-guaranteed structured deposits with licensed commercial banks.

The net proceeds raised from the Global Offering had not been utilized from 8 November 2019 to 31 December 2019, and were utilized in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus during the six months ended 30 June 2020. A breakdown of the use of the aforesaid net proceeds during the six months ended 30 June 2020 and an expected timeline as at the date of this report for the use of the unused amount are set forth as follows:

Purpose	Allocated percentage	Unused amount as at 31 December 2019 (RMB'000)	Used between 1 January 2020 and 30 June 2020 (RMB'000)	Unused amount as at 30 June 2020 (RMB'000)	Expected timing for the full utilization of the unused amount
For ongoing and planned clinical trials, preparation for registration filings, planned commercial launches (including sales and marketing) of TAB008	22.5%	100,939	46,447	54,492	On or before 31 December 2020
For further R&D on various combination therapies involving TAB008 and other oncology treatment to cover a wider variety of indications	7.5%	33,646	0	33,646	On or before 31 March 2021
For ongoing and planned clinical trials, expansion of facilities, registration filings and potential commercial launch (including sales and marketing) of TAA013	20.0%	89,723	40,005	49,718	On or before 31 December 2020
For ongoing and planned pre-clinical and clinical trials, expansion of facilities, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in our pipeline, including but not limited to TOZ309, TOM312, TAB014 and TAD011	30.0%	134,585	32,155	102,430	On or before 31 March 2021
For non-project specific capital expenditure	15.0%	67,292	8,352	58,940	On or before 31 March 2021
For continued expansion of our product portfolio in cancer and potentially other therapeutic areas through internal research and external licenses and business development collaborations	2.0%	8,972	0	8,972	On or before 31 March 2021
For our working capital and other general corporate purposes	3.0%	13,458	0	13,458	On or before 31 March 2021
Total	100%	448,615	126,959	321,656	

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 2020.

CHANGES IN DIRECTORS' EMOLUMENTS AND DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

With effect from March 2020, the emoluments of Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun pursuant to their respective service contracts with members of the Group were adjusted as follows:

Director	Member of the Group	Remuneration before March 2020	Remuneration from March 2020
Ms. Yeh-Huang, Chun-Ying	TOT BIOPHARM Company Limited (東曜藥業有限公司)	Monthly salary of RMB32,000 plus subsidies and bonuses (if any) as the general manager	Monthly salary of RMB35,000 plus subsidies and bonuses (if any) as the general manager
Dr. Liu, Jun	TOT BIOPHARM Company Limited	Annual attendance fee of RMB500 for each Board meeting or Board committee meeting	Annual attendance fee of RMB500 for each Board meeting or Board committee meeting

DEFINITIONS

"2019 Annual Report"	the 2019 annual report published by the Company on 29 April 2020
"ADC"	antibody drug conjugate
"ANDA"	abbreviated new drug application
"Board"	the board of Directors of the Company
"CDMO"	contract development and manufacturing organization, which is a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CMO"	contract manufacturing organization, which is a pharmaceutical company that manufactures drugs for other pharmaceutical companies on a contractual basis
"Company"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司) (formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司)), a company incorporated in Hong Kong with limited liability on 4 December 2009 whose Shares are listed on the Stock Exchange (stock code: 1875)
"date of this report"	13 August 2020, 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
"Group", "we", "us" or "TOT BIOPHARM"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO" or "Global Offering"	the initial public offering of the Company which was completed on 8 November 2019
"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
"mAb"	monoclonal antibody