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## 东曜药业

### TOT BIOPHARM International Company Limited

#### 東曜藥業股份有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1875)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

#### HIGHLIGHTS OF 2020 INTERIM RESULTS AND MILESTONES

##### Financial highlights:

- Revenue amounted to RMB13,030,000, representing a 47% year-on-year decrease, mainly attributable to the impact of the national volume-based procurement policy on the sales derived from the distribution of brand-name drug S-1 and the alignment of our CDMO and CMO businesses with our customers' planned R&D schedules.
- Research and development expenses amounted to RMB99,325,000, representing a 31% year-on-year increase, mainly attributable to the commencement of Phase III clinical trial for the TAA013 ADC project during the period soon after the completion of Phase I clinical trial.
- Selling expenses amounted to RMB13,726,000, representing a 19% year-on-year decrease, mainly attributable to the suspension or postponement of various marketing events during the period as a result of COVID-19.
- General and administrative expenses amounted to RMB24,118,000, representing a 31% year-on-year decrease, mainly attributable to the IPO related expenses incurred during the same period in 2019.
- In summary, net loss for the period amounted to RMB129,183,000, representing a 12% year-on-year increase.

**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.

The board (the “**Board**”) of directors (the “**Directors**”) of TOT BIOPHARM International Company Limited (the “**Company**”) hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (together, the “**Group**”, “**we**” or “**us**”) for the six months ended 30 June 2020 together with comparative figures for the six months ended 30 June 2019 as set out in the section headed “Consolidated Financial Information” section of this announcement.

The financial information set out in the section headed “Consolidated Financial Information” section of this announcement represents an extract from the condensed consolidated interim financial statements of the Group, which are unaudited but have been reviewed by the Group’s external auditor, PricewaterhouseCoopers (“**PwC**”), in accordance with Hong Kong Standard on Review Engagements 2410 and reviewed by the Audit and Connected Transactions Review Committee of the Company. PwC’s unmodified review report is included in the 2020 interim report to be dispatched to the shareholders of the Company.

## CONSOLIDATED FINANCIAL INFORMATION

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Unaudited Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Revenue	2	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)
<b>Operating loss</b>		<b>(128,363)</b>	<b>(110,977)</b>
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)
<b>Loss before income tax</b>	3	<b>(129,183)</b>	<b>(115,686)</b>
Income tax expense	4	–	–
<b>Loss for the period and attributable to the equity holders of the Company</b>		<b>(129,183)</b>	<b>(115,686)</b>
<b>Other comprehensive income/(loss):</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity instruments at fair value through other comprehensive income		1,363	(136)
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation		2,858	(956)
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>4,221</b>	<b>(1,092)</b>
<b>Total comprehensive loss for the period and attributable to the equity holders of the Company</b>		<b>(124,962)</b>	<b>(116,778)</b>
<b>Loss per share for the six months ended 30 June and attributable to the equity holders of the Company</b>			
– Basic and diluted loss per share (RMB)	5	(0.23)	(0.39)

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	310,820	300,230
Prepayments for property, plant and equipment		677	9,244
Right-of-use assets	6	21,247	28,435
Intangible assets	6	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
		<u>406,505</u>	<u>402,999</u>
<b>Current assets</b>			
Inventories		11,070	15,250
Trade and other receivables	7	11,500	14,406
Prepayments		26,152	10,938
Contract assets		4,145	2,450
Financial assets at fair value through profit or loss		241,051	32,139
Cash and cash equivalents		113,509	539,180
		<u>407,427</u>	<u>614,363</u>
<b>Total assets</b>		<u><b>813,932</b></u>	<u><b>1,017,362</b></u>
<b>EQUITY</b>			
Share capital		1,874,438	1,874,438
Other reserves		51,920	36,925
Accumulated losses		(1,182,269)	(1,053,086)
<b>Capital and reserves attributable to the equity holders of the Company</b>		<u><b>744,089</b></u>	<u><b>858,277</b></u>
<b>Total equity</b>		<u><b>744,089</b></u>	<u><b>858,277</b></u>

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<u>6,197</u>	<u>12,299</u>
<b>Current liabilities</b>			
Borrowings		–	60,000
Accruals and other payables	8	57,532	81,418
Contract liabilities		4,469	2,593
Lease liabilities		<u>1,645</u>	<u>2,775</u>
		<u>63,646</u>	<u>146,786</u>
<b>Total liabilities</b>		<u>69,843</u>	<u>159,085</u>
<b>Total equity and liabilities</b>		<u>813,932</u>	<u>1,017,362</u>
<b>Net current assets</b>		<u>343,781</u>	<u>467,577</u>
<b>Total assets less current liabilities</b>		<u>750,286</u>	<u>870,576</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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.

## 1 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.

### 1.1 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).

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. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 2 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).

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

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

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

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

- (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.

(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.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period		
– Service revenue – CDMO	<b>2,128</b>	1,729
– Service revenue – CMO	<b>–</b>	1,293
	<b>2,128</b>	<b>3,022</b>

(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:

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

### 3 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	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 ( <i>Note 6</i> )	15,940	13,089

### 4 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	2019
	RMB'000	RMB'000
Current income tax,	–	–
Deferred income tax	–	–
	<u>–</u>	<u>–</u>

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

### 5 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) ( <i>Note</i> )	570,000	293,359
Basic loss per share (RMB)	<u>(0.23)</u>	<u>(0.39)</u>

*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.

**6 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
<b>Six months ended 30 June 2020</b>			
Opening net book amount as at 1 January 2020	300,230	2,391	28,435
Additions	24,985	835	–
Depreciation and amortisation charge (Note 3)	(14,262)	(387)	(1,291)
Disposals	(133)	–	(5,913)
Net exchange differences	–	–	16
Closing net book amount as at 30 June 2020	<u>310,820</u>	<u>2,839</u>	<u>21,247</u>
	Property, plant and equipment RMB'000	Intangible assets RMB'000	Right-of-use assets RMB'000
<b>Six months ended 30 June 2019</b>			
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 3)	(11,569)	(272)	(1,248)
Net exchange differences	–	–	(22)
Closing net book amount as at 30 June 2019	<u>291,296</u>	<u>1,842</u>	<u>29,690</u>

**7 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	<u>7,684</u>	<u>7,665</u>
Trade and other receivables	<u>11,500</u>	<u>14,406</u>

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

Customers are generally granted with credit terms ranging from 15 to 60 days.

As of 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	<b>30 June 2020 RMB'000</b>	<b>31 December 2019 RMB'000</b>
Within 30 days	<b>1,849</b>	4,727
31 days to 90 days	<b>1,967</b>	2,014
	<b>3,816</b>	<b>6,741</b>

## **8 ACCRUALS AND OTHER PAYABLES**

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

## **9 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).

## **10 CAPITAL COMMITMENTS**

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

	<b>30 June 2020 RMB'000</b>	<b>31 December 2019 RMB'000</b>
Property, plant and equipment	<b>6,086</b>	<b>27,944</b>

## MANAGEMENT DISCUSSION AND ANALYSIS OF CERTAIN ASPECTS OF OUR BUSINESS

### 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 antibody drug conjugate ("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 contract development and manufacturing organization ("CDMO") and contract manufacturing organization ("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 monoclonal antibody ("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.

## 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) (non-squamous non-small cell lung cancer (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 new drug application (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) (wet age-related macular degeneration (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.

## OUTLOOK AND STRATEGIES

Aiming to consolidate our leading position in ADC drug R&D and production in China, we, along with the Company's strategic development and upgrade and R&D capability enhancement, strive to keep abreast of the latest development in the international market, accelerate the R&D and commercialization of ADC drugs, and continue to diversify the product pipeline in that segment. At the same time, we will open up our commercial production platform even further to develop it into an advanced and GMP-compliant international production base for the commercialization of ADC drugs. The efforts will lay a solid foundation for our development in the ADC field and seize market opportunities as a first-mover.

In the future, we will continue to focus on anti-tumor drugs and give full play to our competitive edge. To prepare ourselves for the future launch of our products in terms of production capacity, we will increase the investment of resources in key fields, accelerate the R&D of ADC drugs and the Phase III clinical trial of existing drug candidate TAA013, focus on the commercialization of TAB008, TOZ309 and TOM312, speed up the construction of production facilities for ADC drug substance and agents, and step up the construction of platforms for oncolytic virus products and liposome drugs. While maintaining adequate production capacity for our current products, we will promote collaborative CDMO and CMO projects by leveraging our technology platform strengths and commercial production capabilities in small molecule chemical drugs, mAbs and ADCs, thereby generating diversified revenue and enriching our product portfolio of drug candidates.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF CERTAIN FINANCIAL ITEMS**

### **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.

## **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.

## **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.

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.

## **OTHER INFORMATION**

### **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 Corporate Governance Code (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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out 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 announcement.

### **USE OF NET PROCEEDS FROM THE GLOBAL OFFERING**

The net proceeds raised during the Company’s global offering and listing on the Main Board of the Stock Exchange (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 amount 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. Such unused net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 29 October 2019 in connection with the Global Offering.

A breakdown of the use of the aforesaid net proceeds during the six months ended 30 June 2020 and an expected timeline for the use of the unused portion will be disclosed in the 2020 interim report of the Company.

## **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.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.totbiopharm.com.cn](http://www.totbiopharm.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 interim report of the Company will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board  
**TOT BIOPHARM International Company Limited**  
**Yeh-Huang, Chun-Ying**  
*Executive Director*

Hong Kong, 13 August 2020

*As at the date of this announcement, the executive directors of the Company are Ms. Yeh-Huang, Chun-Ying and Dr. Liu, Jun; the non-executive directors of the Company are Mr. Fu, Shan, Dr. Kung, Frank Fang-Chien, Mr. Kang, Pei and Mr. Qiu, Yu Min; and the independent non-executive directors of the Company are Ms. Hu, Lan, Dr. Sun, Lijun Richard and Mr. Chang, Hong-Jen.*