创胜集团
TRANSCENTA

Transcenta Holding Limited
創勝集團醫藥有限公司

(registered by way of continuation in the Cayman Islands with limited liability)

Stock Code: 6628

2023
INTERIM REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Xueming Qian (錢雪明) *(Chief Executive Officer)*
Mr. Xiaolu Weng (翁曉路) *(Chief Financial Officer)*

Non-Executive Director

Dr. Yining Zhao (趙奕寧) *(Chairman of the Board)*

Independent Non-Executive Directors

Mr. Jiasong Tang (唐稼松)
Dr. Jun Bao (包駿)
(Resigned with effect from 23 August, 2023)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan
Ms. Helen Wei Chen (陳瑋)
(Appointed with effect from 23 August, 2023)

AUDIT COMMITTEE

Mr. Jiasong Tang (唐稼松) *(Chairperson)*
Dr. Yining Zhao (趙奕寧)
Mr. Zhihua Zhang (張志華)

REMUNERATION COMMITTEE

Dr. Jun Bao (包駿) *(Chairperson)*
(Resigned with effect from 23 August, 2023)
Mr. Jiasong Tang (唐稼松)
Mr. Zhihua Zhang (張志華)
Dr. Kumar Srinivasan *(Chairperson)*
(Appointed with effect from 23 August, 2023)

NOMINATION COMMITTEE

Mr. Zhihua Zhang (張志華) *(Chairperson)*
Dr. Xueming Qian
Dr. Jun Bao (包駿)
(Resigned with effect from 23 August, 2023)
Dr. Kumar Srinivasan

COMPANY SECRETARY

Ms. Leung Kwan Wai (梁君慧)
(Associate of The Chartered Governance Institute, Associate of The Hong Kong Chartered Governance Institute)

AUTHORISED REPRESENTATIVES

Dr. Xueming Qian (錢雪明)
Ms. Leung Kwan Wai (梁君慧)

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Hong Kong

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China

STOCK CODE

6628

COMPANY WEBSITE

http://www.transcenta.com/

Financial Highlights

International Financial Reporting Standards ("IFRS") Measures:

- **Revenue** increased from RMB21.8 million for the six months ended June 30, 2022 to RMB36.1 million for the six months ended June 30, 2023, primarily attributable to the increase in CDMO services.
- **Other income** decreased by RMB6.3 million from RMB23.9 million for the six months ended June 30, 2022 to RMB17.6 million for the six months ended June 30, 2023, primarily due to the decrease in government grants recognized during the six months ended June 30, 2023.
- **Other gains and losses** decreased by RMB0.9 million from a gain of RMB10.2 million for the six months ended June 30, 2022 to a gain of RMB9.3 million for the six months ended June 30, 2023, primarily attributable to difference in net foreign exchange gain.
- **Research and development expenses** increased by RMB37.6 million from RMB170.3 million for the six months ended June 30, 2022 to RMB207.9 million for the six months ended June 30, 2023, primarily attributable to our pipeline advancement and resource prioritization.
- **Administrative and selling expenses** decreased by RMB0.9 million from RMB58.9 million for the six months ended June 30, 2022 to RMB58.0 million for the six months ended June 30, 2023, primarily attributable to the decrease in personnel cost and professional services.
- As a result of the above factors, **total comprehensive expenses for the period** increased by RMB35.2 million from RMB210.1 million for the six months ended June 30, 2022 to RMB245.3 million for the six months ended June 30, 2023, primarily attributable to R&D expense increase related to our pipeline advancement offset by the increase in CDMO revenue.

Non-International Financial Reporting Standards ("Non-IFRS") Measures:

- **Revenue** increased from RMB21.8 million for the six months ended June 30, 2022 to RMB36.1 million for the six months ended June 30, 2023, primarily attributable to the increase in CDMO services.
- **Other income** decreased by RMB6.3 million from RMB23.9 million for the six months ended June 30, 2022 to RMB17.6 million for the six months ended June 30, 2023, primarily due to the decrease in government grants recognized during the six months ended June 30, 2023.
- **Research and development expenses** excluding the share-based payment expenses increased by RMB38.1 million from RMB165.8 million for the six months ended June 30, 2022 to RMB203.9 million for the six months ended June 30, 2023, primarily attributable to our pipeline advancement and resource prioritization.
- **Administrative and selling expenses** excluding the share-based payment expenses decreased by RMB8.7 million from RMB57.4 million for the six months ended June 30, 2022 to RMB48.7 million for the six months ended June 30, 2023, primarily attributable to the decrease in personnel cost and professional services.
- **Adjusted loss and total comprehensive expenses for the period** excluding the effect of share-based payment expenses increased by RMB27.9 million from RMB204.1 million for the six months ended June 30, 2022 to RMB232.0 million for the six months ended June 30, 2023, primarily due to R&D expense increase related to our pipeline advancement offset by the increase in CDMO revenue.

Business Highlights

In the first half of 2023, the Company continued to accelerate clinical progress across both the oncology and non-oncology pipelines.

Our lead asset, the Claudin18.2-targeting antibody osemitamab (TST001), has shown encouraging efficacy outcomes with manageable safety profile in patients with a broad range of tumor Claudin18.2 expressions in a Phase Ib study, where it was combined with chemotherapy. We are pleased to share that we have received regulatory approvals from China Center for Drug Evaluation (CDE) and South Korea Ministry of Food and Drug Safety (MFDS) to proceed with a global Phase III pivotal trial for osemitamab (TST001). This trial will test the treatment's effectiveness when combined with nivolumab and chemotherapy for the first-line (1L) treatment of patients with HER2-negative, Claudin18.2 expressing locally advanced or metastatic gastric or gastroesophageal junction (G/GEJ) adenocarcinoma. Additionally, we dosed our first patient in TST003 (anti-gremlin1 antibody) First-in-Human (FIH) study in the U.S. in March 2023 and presented the early clinical findings at the American Association for Cancer Research (AACR) Annual Meeting 2023.

We are also making important strides with other programs in our non-oncology pipeline. In a China Phase I study, TST002 (blosozumab) has delivered encouraging preliminary bone mineral density (BMD) data, with a notable increase of lumbar spine BMD and total hip BMD observed across different dose cohorts, as well as a pharmacokinetic profile allowing longer dosing intervals.

Our work has attracted strong interests from multinational corporations (MNCs) and other industry players who are keen to collaborate with us on our pipeline molecules, including osemitamab (TST001), TST002 and TST003. We have made significant progress in the clinical trial collaboration with BMS on evaluating the combination of osemitamab (TST001) with nivolumab in both first-line or late-line G/GEJ cancer.

Furthermore, we have also made significant investments in improving our continuous bioprocessing platform technology. We have further upgraded our manufacturing technology platform, and we have not only improved cost efficiency but also strengthened our competitive edge.

In summary, our Company's achievements in the first half of 2023 demonstrated our commitment to advancing medical treatments and making a positive impact on patients' lives.

Business Highlights

As of the Latest Practicable Date, a shortlist of our achievements includes the following:

CLINICAL PROGRAMS ACHIEVEMENTS

Osemitamab (TST001, A Humanized ADCC Enhanced Claudin18.2 mAb for Solid Tumors)

- In January 2023, we presented the design of Phase I/II studies (TranStar102) of osemitamab (TST001) in combination with nivolumab plus Capecitabine and Oxaliplatin (CAPOX) in 1L or with nivolumab in late-line treatment in locally advanced and metastatic G/GEJ cancer at American Society of Clinical Oncology (ASCO) GI 2023.
- In March 2023, in collaboration with leading researchers at Beijing Cancer Hospital and other institutes, we published the study results of Claudin18.2-targeting Immuno-PET probe [89Zr]Zr-DFO-TST001 for non-invasive imaging in gastrointestinal tumors on Journal of Pharmaceutical Analysis.
- In March 2023, we received orphan drug designation from the U.S. FDA for the treatment of patients with pancreatic cancer for osemitamab (TST001).
- In April 2023, we completed the enrollment of Claudin18.2 expressing first-line advanced G/GEJ cancer patients in cohorts C (osemitamab in combination with CAPOX) and G (osemitamab in combination with nivolumab and CAPOX) for the China Phase I/II study (TranStar102, NCT04495296). The data from these cohorts support the upcoming global Phase III pivotal trial (TranStar301) to be initiated in the second half of 2023.
- In April 2023, we submitted the CTA of the global, randomized Phase III pivotal study (TranStar301) to China CDE and South Korea MFDS and we have obtained approvals as of the Latest Practicable Date.
- In June 2023, at American Society of Clinical Oncology annual meeting (ASCO), we presented the updated data of osemitamab (TST001) in combination with CAPOX as the 1L treatment of advanced G/GEJ cancer (cohort C from TranStar102) and showed progression free survival (PFS) of 9.5 months and duration of response (DoR) of 9.9 months from all dose groups. We also presented a Trial-in-Progress of TranStar101, the ongoing Phase Ib trial in the U.S., exploring the combination of osemitamab (TST001) in combination with nivolumab, and osemitamab (TST001) in combination with nivolumab and mFOLFOX6 in G/GEJ cancer.
- In June 2023, at European Society for Medical Oncology World Congress on Gastrointestinal Congress (ESMO GI), we presented the PFS data of 9.5 months by Claudin18.2 expression level from cohort C of TranStar102, the Phase I/II study of osemitamab (TST001) plus Capecitabine and Oxaliplatin (CAPOX) as the 1L treatment of advanced G/GEJ cancer. These data show that the Claudin18.2 positive patients benefiting from the addition of osemitamab (TST001) to standard of care could represent more than 55% of all G/GEJ adenocarcinomas. These data support the upcoming global Phase III pivotal trial (TranStar301) to be initiated in the second half of 2023.

CDx Progress for Osemitamab (TST001)

- Claudin18.2 GMP CDx kit manufacturing is being completed and will be delivered prior to the pivotal trial for osemitamab (TST001).

Business Highlights

TST002 (Blosozumab) (A Humanized Sclerostin mAb for Osteoporosis)

- In January 2023, we completed the dose escalation of TST002 study in China and successfully enrolled 32 patients in total.
- In March 2023, we filed the supplementary application to the current China IND of TST002 for a Phase II study.
- In May 2023, we completed the database lock and data unblinding of the Phase I study (NCT05391776) of single dose of TST002 in Chinese postmenopausal women and elder men with reduced BMD. We presented the preliminary result of TST002 single ascending dose study at the 2023 annual meeting of Chinese Society of Osteoporosis and Bone Mineral Research (CSOBMR). Safety, bone formation and resorption markers and BMD data have been collected from 32 patients treated with follow up for 85 days. The average increase of lumbar spine BMD at day 85 (D85) after one dose of TST002 ranged from 3.52% to 5.94% and total hip BMD from 1.30% to 2.24% across dose cohorts. This exceeded the least significant difference (2.77%) and was clinically meaningful. The BMD increase was associated with dose dependent increase in bone formation marker and reduction in bone resorption marker – consistent with the dual mechanism of action of increasing osteoblast mediated bone formation and inhibiting osteoblast mediated bone resorption. These results are comparable with those observed in blosozumab single ascending dose study in Japanese subjects at the similar dose levels, and support our plan to initiate a Phase II clinical study in Chinese Osteoporotic patients with every two to three months dosing intervals.
- In June 2023, we received the China CDE approval for initiation of Phase II clinical study in Chinese osteoporosis patients.

TST003 (A First-in-Class Humanized Anti-GREMLIN-1 Antibody)

- In January 2023, we received IND clearance from China CDE of China's National Medical Products Administration (NMPA) for TST003.
- In March 2023, we dosed our first patient in TST003 (NCT05731271) First-in-Human (FIH) study in the U.S.(NCT05731271).
- In April 2023, we presented the poster for preclinical study results of TST003 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical characterization results provided the rationale for on-going clinical evaluation of TST003 in patients with selected advanced solid tumors with high unmet medical need either as monotherapy or in combination with SoC, in particular colorectal cancer (CRC) and castration resistant prostate cancer (CRPC).

TST005 (A PD-L1/TGF-β Bi-functional Fusion Protein for Solid Tumors)

- The dose escalation study is ongoing and encouraging preliminary results of Phase I study have been reported at ASCO in June 2023. TST005 demonstrated a manageable safety profile and five heavily pre-treated patients had durable SD for more than six months. Two of them had failed prior anti-PD-1 treatments. PK/PD data showed favorable profiles with dose dependent exposure, and complete reduction of serum TGFβ-1 levels at all doses and saturated PD-L1 receptor occupancy maintained over the dosing interval at high doses.

Business Highlights

RESEARCH/EARLY DEVELOPMENT UPDATE

TST010 (T regulatory cell depleting mAb to target immune checkpoint inhibitor resistance)

- In April 2023, we presented the poster for preclinical study results of TST010 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical studies in mouse syngeneic tumor models demonstrate that TST010 has a good potential to induce effective anti-tumor immune responses in TME and tumor growth inhibition especially in combination with PD-1/PD-L1 inhibitor.

BUSINESS DEVELOPMENT ACHIEVEMENTS

Osemitamab (TST001, A Humanized ADCC Enhanced Claudin18.2 mAb for Solid Tumors)

- We have continued the clinical trial collaboration with BMS, enabling the enrollment completion in China of 82 patients with osemitamab (TST001), nivolumab and chemotherapy in TranStar102.
- We have continued the collaboration with a global companion diagnostic (CDx) development partner for our Claudin18.2 specific IHC CDx Assay.
- We have been in discussions with multiple potential partners including MNCs on the global collaboration of osemitamab (TST001) for Claudin18.2 positive gastric cancer and other solid tumors.

CMC&CDMO UPDATES

Platform technology advancement and capacity expansion

- We have continued to invest in our highly intensified Integrated Continuous Bioprocessing (ICB) platform to increase our competitive edge which allows us to accelerate speed to clinic/market, lower manufacturing risks, ensure drug supply, and significantly lower cost of goods.
- We have made significant investments to improve our proprietary in-house cell line expression system and cell culture media. These efforts were undertaken to support continued process intensification, growth of our CDMO business and to provide additional future revenue stream from licensing of our cell line expression system and launch of our cell culture media business.
- We have completed testing of the Mobius Multi-Column Chromatography (MCC) system and the Combo system (industry-first automated and single-use flow-through polishing continuous downstream technology); both are ready for GMP operation.
- We have established an ADC lab to support development of internal and external ADC programs.

Business Highlights

CMC deliverables

- In support of osemitamab (TST001) late-stage and commercial manufacturing process, we have integrated our hybrid continuous downstream processing technology to continuous perfusion pivotal manufacturing process.
- We have completed commercial process characterization of osemitamab (TST001) and initiated the pre-Process Performance Qualification (PPQ) run.

CDMO business

- In 2023, we expanded and grew our CDMO services, including addition of new service categories in CHO cell culture media development and CMC development capability for ADC.
- We have added more than 12 new clients compared to first half of 2022, and we have expanded service in media development, ADC development, lyophilized formulation, analytical testing, formulation studies, particle investigation and drug product Fill & Finish.

Management Discussion and Analysis

OVERVIEW

We are a clinical stage biopharmaceutical company with fully integrated capacities in discovery, research, development, and manufacturing.

We adopt a multi-regional development strategy with an aim to forge a global commercial pathway for our products. With the help of an experienced and fully functional team with extensive global clinical research and development capabilities located both in China and the U.S, we have gained the first-mover advantage for several programs. In particular, we are ready to initiate a global pivotal trial for osemitamab (TST001) before the approval of competing antibody. As of the Latest Practicable Date, we have obtained China CDE and South Korea MFDS approvals for initiating a global Phase III trial for osemitamab (TST001) in combination with nivolumab and chemotherapy as the 1L treatment for Claudin18.2 expressing locally advanced or metastatic G/GEJ adenocarcinomas. A proprietary Claudin18.2 companion diagnostic assay has also been developed to support the patient screening for pivotal trial.

With our proprietary antibody discovery platform, the Immune Tolerance Breaking ("**IMTB**") technology platform, we have been continuing to expand our application modality to support our precision medicine strategy. Our fully integrated CMC capabilities can support internal and external programs for both IND to Biologics License Application (BLA) filing, and commercial production. By elevating the role of translational science, we are able to progress molecules from IND filing into development for a broader range of clinical applications and with greater potential for successful development into valuable and marketable therapies. With our Integrated Continuous Biomanufacturing (ICB) platform, we continued to strengthen and maintain industry-best cell culture productivity, providing high quality and low-cost products to meet patient needs for products such as osemitamab (TST001) and TST002. In addition, we are also providing high quality CDMO services and generating revenue to sustain our operations with our advanced platform and technology.

Moreover, with the global rights and commercial potential of our pipeline, we continue to execute our global strategy by establishing partnerships with global and local biopharmaceutical companies as well as academic research institutions.

Management Discussion and Analysis

Our Product Pipeline

We have established a diversified and differentiated pipeline of 13 molecules in oncology, bone disorders and nephrology. Most of antibody candidates were generated in-house by our antibody discovery platform covering validated, partially validated, and novel biological pathways, whereas one pipeline candidate was acquired through in-licensing. The following chart summarizes the drug candidates that are currently under development globally across various therapeutic areas as of the Latest Practicable Date:

	Drug candidate	Target		Indications	Clinical trial region	Preclinical / IND / Phase 1a / Phase 1b/ Phase 2a / Pivotal Phase 2b / Phase3	Rights	Partner
Oncology	Osemitamab (TST001)	Claudin 18.2	G/GEJC	1L	Global	Combo with Nivolumab/Chemo	Global	In-house
				1L	China	Combo with Chemo		
				2/3L	Global	Combo with Nivolumab		
			PDAC	1L	Global	Combo with Chemo		
	MSB0254	VEGFR2		Solid tumors	China	Mono	Global	In-house
	TST005	PD-L1/TGF-β Bi-functional		Solid tumors (HPV+ and NSCLC, etc)	Global	Mono	Global	In-house
	TST003	Gremlin1 (FIC)		Solid tumors	Global	Mono	Global	In-house
	TST006	Bi-specific		Solid tumors	Global	Mono	Global	In-house
	TST010	Undisclosed ADCC enhanced mAb		Solid tumors	Global	Mono	Global	In-house
	TST012	Undisclosed mAb		Solid tumors	Global	Mono	Global	In-house
	TST013	Undisclosed ADC		Solid tumors	Global	Mono	Global	In-house
	MSB2311	PD-L1		TMB-H solid tumors	China	Mono	Global	In-house
				Solid tumors	China	Combo with VEGFRi		
Nononcology	Blosozumab (TST002)	Sclerostin		Osteoporosis	China	Mono / US Ph II Completed	Greater China	Lilly
	TST004	MASP2		IgAN, TMA	Global	Mono	Global	ALEBUND
	TST008	MASP2/BAFF Bi-specific (FIC)		SLE/LN/IgAN	Global	Mono	Global	In-house
	TST801	Bi-specific (FIC)		SLE/LN/IgAN	Global	Mono	Global	In-house

Source: Company

Abbreviations: PD-L1=Programmed death-ligand 1; VEGFR2=Vascular endothelial growth factor receptor 2; TGFβ=Transforming growth factor beta; MASP2=Mannan-binding lectin serine protease 2; IND=Investigational new drug; FIC=First-in-class; HPV=Epstein-Barr Virus; BMP Antagonist=Bone morphogenetic protein Antagonist; TACI=transmembrane activator and CAML interactor; CAML=calcium-modulator and cyclophilin ligand; NSCLC=Non-small cell lung cancer; SLE=Systemic lupus erythematosus; TMA=Thrombotic microangiopathy; IgA nephropathy=Immunoglobulin A nephropathy; Combo=Combination; Chemo=Chemotherapy; VEGFRi=Vascular endothelial growth factor receptor 2 inhibitor

(1) Solid tumors in the "Indications" column include all the tumor types other than hematologic malignancies. The particular tumor types as indications for each product depends on the mechanism of action of the corresponding drug candidate and emerging or established pre-clinical/clinical evidence. See the subsections headed "Clinical Development Plan" for each of our drug candidates in "Business" section of the Prospectus for the specific tumor types targeted for clinical development.

(2) Global in the "Clinical trial region" column represents Asia (including China), United States, European Union and Oceania.

Management Discussion and Analysis

BUSINESS REVIEW

During the first half of 2023, we have made significant progress with our pipeline assets in both oncology and non-oncology therapeutic areas and achieved multiple clinical and preclinical milestones that are listed as follows:

Oncology Program

Our oncology pipeline includes multiple innovative and differentiated biologic molecules targeting major cancer pathways. Several drug candidates, including osemitamab (TST001), MSB0254, TST003, TST005, TST006, TST010, TST012 and TST013, are designed to target tumors with different mechanisms that are potentially synergistic for tumor indications with high unmet medical needs. Our key oncology candidates include:

- Osemitamab (TST001), our lead asset, is a potential best-in-class and differentiated antibody targeting Claudin18.2, a validated tumor associated antigen in several solid tumors indications, including but not limited to gastric and gastroesophageal cancer. Approvals to launch a global Phase III registration trial (TranStar301) to develop osemitamab (TST001) in combination with nivolumab and chemotherapy as the 1L treatment for Claudin18.2 expressing G/GEJ adenocarcinomas have been received from China CDE and South Korea MFDS. Consultations with regulatory bodies in other regions including U.S. FDA are planned in the third quarter of 2023. Further exploration includes other Claudin18.2 expressing tumors other than G/GEJ cancer.
- MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting/normalizing tumor angiogenesis. Phase I study of MSB0254 has been completed and RP2D dose has been determined.
- TST003 is a first-in-class humanized antibody targeting GREMLIN-1. It is currently tested in a global FIH trial.
- TST005 is a bifunctional fusion protein targeting both PD-1/PD-L1 and TGF-β pathways, the latter being a key MOA for PD-1/PD-L1 resistance. TST005 global Phase I study has been completed in the first half of 2023.
- TST006 is a bispecific Claudin18.2-PD-L1 antibody which is currently in preclinical stage.
- TST010 is a newly nominated preclinical antibody candidate at preclinical stage, targeting regulatory T cells to enhance T cell mediated tumor killing.
- TST012 is an ADCC enhanced mAb candidate at preclinical stage targeting biomarker expressing gastric cancer and other solid tumors.
- TST013 is an ADC candidate at preclinical stage targeting biomarker expressing breast cancer and other solid tumors.

Our broad portfolio also offers opportunities to cover additional unmet medical needs through combinations: for example, TST005, MSB0254, TST003 and TST010 are highly synergistic with osemitamab (TST001) allowing to enhance our Claudin18.2 franchise through proprietary combinations with osemitamab (TST001); TST003 and MSB0254 combinations have the potential to offer new therapeutic alternatives for various solid tumors.

Management Discussion and Analysis

Osemitamab (TST001, A Humanized ADCC Enhanced Anti-Claudin18.2 mAb for Solid Tumors)

Osemitamab (TST001), our lead asset, is a potential best-in-class and ADCC enhanced humanized anti-body specifically targeting Claudin18.2 with high-affinity. Claudin18.2 is overexpressed in multiple indications including but not limited to G/GEJ cancers. Osemitamab (TST001) is currently ranked among the top two most advanced clinical programs for Claudin18.2 globally, and the first in China.

Osemitamab (TST001) is currently in Phase II development and is expected to enter Phase III global clinical trials in 2023. As at the Latest Practicable Date, we have obtained approvals from China CDE and South Korea MFDS to launch a global Phase III registration trial (TranStar301) to develop osemitamab (TST001) in combination with nivolumab and chemotherapy as the 1L treatment for Claudin18.2 expressing G/GEJ adenocarcinomas. Consultations with regulatory bodies in other regions including U.S. FDA are planned in the third quarter of 2023.

We have made significant progress in the first half of 2023 in advancing the clinical development for osemitamab (TST001), which includes:

Recent Product Developments and Milestones

- In January 2023, we presented the design of Phase I/II studies (TranStar102) of osemitamab (TST001) in combination with nivolumab plus CAPOX in 1L or with nivolumab in late-line treatment in locally advanced and metastatic G/GEJ cancer at American Society of Clinical Oncology (ASCO) GI 2023.
- In March 2023, in collaboration with leading researchers at Beijing Cancer Hospital and other institutes, we published the study results of Claudin18.2-targeting Immuno-PET probe [89Zr]Zr-DFO-TST001 for non-invasive imaging in gastrointestinal tumors on Journal of Pharmaceutical Analysis.
- In March 2023, we received orphan drug designation from the U.S. FDA for the treatment of patients with pancreatic cancer for osemitamab (TST001).
- In April 2023, we completed the enrollment of Claudin18.2 expressing first-line advanced G/GEJ cancer patients in cohorts C (osemitamab in combination with CAPOX) and G (osemitamab in combination with nivolumab and CAPOX) for the China Phase I/II study (TranStar102, NCT04495296) of our high affinity humanized ADCC-enhanced anti-Claudin18.2 monoclonal antibody osemitamab (TST001). The data from these cohorts support the upcoming global Phase III pivotal trial (TranStar301) to be initiated in the second half of 2023.
- In April 2023, we submitted the CTA of the global, randomized Phase III pivotal study (TranStar301) to China CDE and South Korea MFDS and we have obtained approvals as of the Latest Practicable Date.
- In June 2023, at American Society of Clinical Oncology annual meeting (ASCO), we presented the updated data of osemitamab (TST001) in combination with CAPOX as the 1L treatment of advanced G/GEJ cancer (cohort C from TranStar102) and showed progression free survival (PFS) of 9.5 months and duration of response (DoR) of 9.9 months from all dose groups. We also presented a Trial-in-Progress of TranStar101, the ongoing Phase Ib trial in the US, exploring the combination of osemitamab (TST001) in combination with nivolumab, and osemitamab (TST001) in combination with nivolumab and mFOLFOX6 in G/GEJ adenocarcinoma.

Management Discussion and Analysis

- In June 2023, at European Society for Medical Oncology World Congress on Gastrointestinal Congress (ESMO GI), we presented the PFS data of 9.5 months by Claudin18.2 expression level from cohort C of TranStar102, the Phase I/II study of osemitamab (TST001) plus Capecitabine and Oxaliplatin (CAPOX) as the 1L treatment of advanced G/GEJ cancer. These data show that the Claudin18.2 positive patients benefiting from the addition of osemitamab (TST001) to standard of care could represent more than 55% of all G/GEJ adenocarcinomas. These data support the upcoming global Phase III pivotal trial (TranStar301) to be initiated in the second half of 2023.

CDX PROGRESS FOR OSEMITAMAB (TST001)

Recent Product Developments and Milestones

- Claudin18.2 GMP CDx kit manufacturing is being completed and will be delivered prior to the pivotal trial for osemitamab (TST001).

TST003 (A First-in-Class Humanized Anti-GREMLIN-1 Antibody)

TST003 is a first-in-class and high affinity humanized monoclonal antibody targeting GREMLIN-1, a regulatory protein that is highly expressed by stromal cells and tumor cells in diverse human carcinomas, especially in colon cancer, prostate cancer, gastric cancer, lung cancer, esophageal cancer, pancreatic cancer, and breast cancer.

Recent Product Developments and Milestones

- In January 2023, we received IND clearance from China CDE of China's National Medical Products Administration (NMPA) for TST003.
- In March 2023, we dosed our first patient in TST003 First-in-Human (FIH) study in the U.S (NCT05731271).
- In April 2023, we presented the poster for preclinical study results of TST003 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical characterization results provided the rationale for on-going clinical evaluation of TST003 in patients with advanced solid tumors with high unmet medical need either as monotherapy or in combination with SoC, in particular colorectal cancer (CRC) and castration resistant prostate cancer (CRPC).

TST005 (A PD-L1/TGF-β Bi-functional Fusion Protein for Solid Tumors)

TST005 is a bi-functional fusion protein designed to simultaneously target two immunosuppressive pathways, transforming growth factor-β (TGF-β) and programmed cell death ligand-1 (PD-L1), that are commonly used by cancer cells to evade the immune system. TST005 global Phase I study has been completed in the first half of 2023.

Recent Product Developments and Milestones

- The dose escalation study is ongoing and encouraging preliminary results of Phase I study have been reported at ASCO in June 2023. TST005 demonstrated a manageable safety profile and five heavily pre-treated patients had durable SD for more than six months. Two of them had failed prior anti-PD-1 treatments. PK/PD data showed favorable profiles with dose dependent exposure, and complete reduction of serum TGFβ-1 levels at all doses and saturated PD-L1 receptor occupancy maintained over the dosing interval at high doses.

Management Discussion and Analysis

MSB0254 (A Humanized VEGFR2 mAb Candidate for Solid Tumors)

MSB0254 is a high affinity humanized antibody against VEGFR2, with an anti-tumor mechanism of action by inhibiting tumor angiogenesis. MSB0254 has been generated using the Company's in-house antibody discovery platform. VEGFR-2 is overexpressed in neovascular tumor endothelial cells in many tumors in comparison to normal endothelial cells. VEGFR-2 pathway controls vascular permeability, survival and migration of the vascular endothelial cells. VEGFR-2 inhibitors have been shown to be able to inhibit tumor-induced angiogenesis and effectively block tumor growth, and thus may have a potential therapeutic role in multiple tumor types.

Recent Product Developments and Milestones

- As of the Latest Practicable Date, we have completed the Phase I dose escalation study and determined RP2D dose.
- MSB0254 is a potential combination partner for checkpoint inhibitors and targeted therapies such as TST001, TST003 and TST005 to achieve better antitumor activities.

MSB2311 (A Humanized PD-L1 mAb Candidate for Solid Tumors)

MSB2311, is a second-generation PD-L1 inhibitor with unique pH dependent PD-L1 binding property, an important differentiation from other PD-(L)1 antibodies. We have proposed to deprioritize MSB2311 due to the competitive landscape and substantial price cuts for PD-L1 products, and we will shift the resources to osemitamab (TST001) due to its higher competitive advantage and commercial potentials. MSB2311 will be kept for potential combo studies. Please refer to the "Reasons for the Change in Use of Net Proceeds" in our 2022 annual results announcement for further details.

TST010 (T regulatory Cell Depleting mAb to Target Immune Checkpoint Inhibitor Resistance)

TST010 is an ADCC enhanced monoclonal antibody designed for depleting Tumor-infiltrating regulatory T cells (Tregs). Tregs' presence was reported to correlate with tumor progression and a worsening prognosis in many cancers. As at the Latest Practicable Date, it is at preclinical stage.

Recent Product Developments and Milestones

- In April 2023, we presented the poster for preclinical study results of TST010 at the American Association for Cancer Research (AACR) Annual Meeting 2023. Preclinical studies in mouse syngeneic tumor models demonstrate that TST010 has a good potential to induce effective anti-tumor immune responses in TME and tumor growth inhibition especially in combination with PD-1/PD-L1.

Management Discussion and Analysis

TST006 (A Bispecific Claudin18.2-PD-L1 Antibody)

TST006 is a bi-specific antibody targeting Claudin18.2 and PD-L1, which has the potential for the treatment of Claudin18.2-expressing cancer patients who are resistant to or refractory from Claudin18.2 mAb or PD-1/PD-L1 mAb therapies, such as late-line gastric cancer patients, pancreatic cancer patients and others. As at the Latest Practicable Date, it is at preclinical stage.

TST012 (An ADCC Enhanced mAb Candidate)

TST012 is an ADCC enhanced mAb candidate targeting biomarker expressing gastric cancer and other solid tumors. As at the Latest Practicable Date, it is at preclinical stage.

TST013 (An ADC Product Candidate)

TST013 is an ADC candidate targeting biomarker expressing breast cancer and other solid tumors. As at the Latest Practicable Date, it is at preclinical stage.

Non-oncology Program

Our highly differentiated non-oncology pipelines target bone and kidney diseases (TST002, TST004, and TST008, TST801) that have large patient population and high unmet medical needs.

Within our non-oncology pipeline, we have focused on indication expansion to maximize market potentials and forming partnerships to accelerate product development. In addition to developing TST002 and TST004 in fast-to-market indications, we are also expanding these two candidates in additional indications with blockbuster potentials and to form partnerships to accelerate the product development. To further expand our current pipeline in IgA nephropathy, we are also developing preclinical candidate TST801, a first-in-class bi-functional antibody targeting systemic lupus erythematosus (SLE), a progressive disease affecting over three million people worldwide with early onset (age 18-44) and limited treatment options to slow down or stop the organ damages caused by the disease.

TST002 (Blosozumab) (A Humanized Sclerostin mAb for Osteoporosis)

TST002, one of our key products, is a humanized monoclonal antibody with neutralizing activity against sclerostin for which we in-licensed the Great China rights from Eli Lilly. Eli Lilly has completed phase II trials with Blosozumab in postmenopausal women in the United States and Japan, and has shown an ability to induce statistically significant dose-dependent increases in spine, femoral neck, and total hip bone mineral density (BMD) as compared with placebo after 52 weeks of treatments. In the highest dose group (270mg every 2 weeks), Blosozumab treatment increased BMD by 17.7% at the spine, and 6.2% at the total hip from baseline within 12 months.

Management Discussion and Analysis

Recent Product Developments and Milestones

- In January 2023, we completed the dose escalation of TST002 study in China and successfully enrolled 32 patients in total.
- In March 2023, we filed the supplementary application to current China IND of TST002 for a Phase II study.
- In May 2023, we completed the database lock and data unblinding of the Phase I study (NCT05391776) of single dose of TST002 in Chinese postmenopausal women and elder men with reduced BMD. We presented the preliminary result of TST002 single ascending dose study at the 2023 annual meeting of Chinese Society of Osteoporosis and Bone Mineral Research (CSOBMR). Safety, bone formation and resorption markers and BMD data have been collected from 32 patients treated with follow up for 85 days. The average increase of lumbar spine BMD at day 85 (D85) after one dose of TST002 ranged from 3.52% to 5.94% and total hip BMD from 1.30% to 2.24% across dose cohorts. This exceeded the least significant difference (2.77%) and was clinically meaningful. The BMD increase was associated with dose dependent increase in bone formation marker and reduction in bone resorption marker – consistent with the dual mechanism of action of increasing osteoblast mediated bone formation and inhibiting osteoblast mediated bone resorption. These results are comparable with that those observed in blosozumab single ascending dose study in Japanese subjects at the similar dose levels, and support our plan to initiate a Phase II clinical study in Chinese Osteoporotic patients with every two to three months dosing intervals. The biomarker indicated the consistent mechanism of action of dual activity on increasing osteoblast mediated bone formation and inhibiting osteoclast mediated bone resorption.
- In June 2023, we received the China CDE approval for initiation of Phase II clinical study in Chinese osteoporosis patients.

TST004 (A Humanized MASP-2 mAb Candidate for Kidney Diseases)

TST004, one of our key products, is a humanized mAb targeting mannan-binding lectin serine protease 2 (MASP2) designed to prevent inflammation and tissue damage mediated by lectin pathway complement activation. It can be potentially applied to multiple MASP2-dependent complement mediated diseases, including IgAN, a highly prevalent chronic kidney disease globally. As at the Latest Practicable Date, it is at the Phase I stage.

Management Discussion and Analysis

TST008 (A Bi-Functional Antibody for MASP-2 and BAFF)

TST008 is a first-in-class bispecific antibody combining MASP2 antibody with another molecule blocking B-cell activation and/or differentiation. As at the Latest Practicable Date, it is at preclinical stage.

TST801 (A Bifunctional Fusion Protein)

TST801 is a first-in-class bifunctional fusion protein targeting receptors involved in regulating B cell activation and differentiation and is designed for the treatment of SLE, a disease with high unmet medical needs and high prevalence globally. As at the Latest Practicable Date, it is at preclinical stage.

Cautionary Statement required by Rule 18A.08(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"): The Company cannot guarantee that it will be able to develop, or ultimately market, any of the above drug candidates successfully. Shareholders and potential investors of the Company are advised to exercise due care when dealing in the shares of the Company.

Research and Early Development Efforts

We are dedicated to the discovery and development of differentiated and competitive biologics, targeting to shape an innovative and risk-balanced drug pipeline covering both oncology and non-oncology disease areas. We have expanded our discovery pipeline with two new IND-approved programs, one of which started the First-in-Human (FIH) study in the first half of 2023. Furthermore, we progressed two early-stage programs with intention to be developed as ADCC enhanced antibody or antibody drug conjugates (ADC). We have also progressed another early-stage program of a first-in-class bifunctional fusion protein for the treatment of SLE to the IND-enabling study stage. We are expanding two new non-oncology targets to B cell and/or complement pathways for autoimmune diseases in our early discovery pipeline.

Strategic Partnership to Advance Pipeline

Partnerships and collaborations are the key for maximizing the clinical and commercial potential of our assets. With the help of our differentiated or first-in-class molecules, we have established partnerships with BMS for clinical trial collaboration of osemitamab (TST001), Eli Lilly & Company for in-licensing TST002 rights in Greater China, Alebund Pharmaceuticals for developing TST004 in China. Besides, we have established multiple research collaborations with prominent academic institutions and industry players around the world, including a technology collaboration with Merck KGaA for continuous downstream processing.

Details of our existing partnerships are shown below.

Management Discussion and Analysis

Osemitamab (TST001)

We aim to develop osemitamab (TST001) as the cornerstone of the future new treatment paradigm in Claudin18.2 expressing solid tumors including gastric or gastroesophageal junction cancers.

In 2022, we established a global clinical trial collaboration with BMS to evaluate the combination of osemitamab (TST001) with Opdivo® (nivolumab), BMS' anti-PD-1 therapy, for the treatment of patients with unresectable locally advanced or metastatic Claudin18.2 expressing G/GEJ cancer with or without previous treatment.

We have been discussing with multiple MNCs on the potential global collaboration of osemitamab (TST001) for Claudin18.2 positive gastric cancer and other solid tumors. The combination of Claudin18.2 targeting antibody with chemotherapy has been validated recently by zolbetuximab as an effective treatment option for the 1L patients with HER2-negative, Claudin18.2 expressing G/GEJ cancer in two Phase III trials. Zolbetuximab benefits around 38% of all G/GEJ cancer, based on their Claudin18.2 expression levels. Osemitamab (TST001) is the second generation Claudin18.2 targeting antibody designed to have more potent anti-tumor activities than zolbetuximab. It is a humanized antibody with higher affinity and enhanced ADCC (antibody-dependent cellular cytotoxicity) which accounts for the direct killing of cancer cells via anti-Claudin18.2 antibody. Our preliminary clinical data indicate that osemitamab (TST001) has the potential to benefit a broader patient population of at least 55% of all cases. Our strategy is to lead the best-in-class development of osemitamab (TST001) with immunotherapy, delivering more effective treatment to patients with Claudin18.2 expressing G/GEJ cancer.

We have continued the collaboration with a global CDx development partner for our Claudin18.2 specific CDx Assay.

TST002 (Blosozumab)

In 2019, we entered into an exclusive and royalty bearing license agreement with Eli Lilly for LY-2541546 (blosozumab), LY-3108653 and LY-2950913 (each a "**Licensed Compound**"). We gained exclusive rights to develop, use or commercialize and manufacture the Licensed Compound in Greater China regions including the PRC, Hong Kong, Macau and Taiwan.

We completed technology transfer, established manufacturing process for TST002, and GMP production for clinical use and all the additional preclinical studies required for TST002 IND application in China. We received IND Clearance from China CDE in 2021.

In 2022, the first patient was successfully dosed in China Phase I study of TST002 for the treatment of osteoporosis. As of December 2022, we have completed the enrollment of third dose cohorts and observed encouraging BMD increasing activity of TST002.

In 2023, we have completed the Phase Ia escalation study and observed encouraging BMD increasing activity after a single dose of TST002. In June 2023, we have also received CDE approval to start a Phase II study in China.

We have been actively discussing with multiple domestic pharmaceutical companies for the potential collaboration on the development and commercialization of TST002 in Greater China.

Management Discussion and Analysis

TST004

We collaborate with Shanghai Alebund Pharmaceuticals Limited ("**Alebund Pharmaceuticals**") after establishing an equity joint venture registered under the law of PRC in 2020 to carry out pre-clinical research and conduct clinical trials in Greater China region. Currently, we have completed GMP material productions, in vitro/in vivo product characterization studies, non-GLP tox studies, GLP tox studies and pharmacology studies.

We have obtained IND clearance from the U.S. FDA and is currently working with Alebund Pharmaceuticals on China IND.

Multiple companies including MNCs and biotech have reached out to us for potential collaboration on TST004. Partnering processes are ongoing.

TST003

We have been approached by multiple MNCs and are in the process of potential partnership discussion.

TRANSLATIONAL RESEARCH COLLABORATIONS

We also entered multiple research collaborations with prominent academic institutions around the world, including the Dana-Farber Cancer Institute of Harvard Medical School, John Hopkins University, Beijing Cancer Hospital, Shanghai Pulmonary Hospital, Zhongshan Hospital, Zhongshan University, and Shanghai Jiao Tong University. The research collaborations covered osemitamab (TST001), TST003 and TST005. We also established strategic collaborations with multiple technology platform companies to explore different modalities for innovative targets, including multiple ADC platforms. These research collaborations further enhanced our global leading position in Claudin18.2 targeted combination therapies and strengthened our oncology programs.

TECHNOLOGY PARTNERSHIP & ADVANCEMENT

In support of the implementation of highly intensified downstream technologies from Merck KGaA, we have completed rigorous testing of the Mobius Multi-Column Chromatography (MCC) system and the Combo system (industry-first automated and single-use flow-through polishing continuous downstream technology) and both are ready for GMP operation. A highly comprehensive sanitization procedure was also developed to help ensure bioburden control of the long term MCC operation.

Management Discussion and Analysis

UPGRADE MANUFACTURING TECHNOLOGY AND EXPAND CAPACITY

In the first half of 2023, we have made significant progress in developing and implementing novel bioprocessing technologies to enhance our manufacturing capability and capacity.

- ***Platform Technology Advancement and Capacity Expansion***
  - In the first half of 2023, we continued to invest in improving our in-house cell line expression system and is on track to make it available for licensing to CDMO clients as well as for use for internal programs in 2024.
  - In addition, we have made substantial investments in the development and optimization of in-house cell culture perfusion and fed-batch media for two new commercial as well as in-house cell line expression systems. These efforts were undertaken to support our CDMO business and to facilitate the launch of our cell culture media business.
  - We have completed the establishment of our ADC development lab to support ADC programs internally and externally. In addition, part of the platform analytical methods needed in support of ADC platform were also developed.
  - We have installed a lab scale lyophilization equipment, IQ/OQ'ed and completed a test run to support formulation development of less stable molecules, as well as ADC's.
- ***CMC Deliverables***
  - ICB manufacturing has been progressing into late-stage and commercial manufacturing process. In first half of 2023, we have integrated unit operations for continuous downstream purification of late-stage osemitamab (TST001) perfusion-based manufacturing process.
  - We have completed commercial process characterization of osemitamab (TST001), initiated pre-PPQ run.
  - Since the beginning of the operation of our facility in 2018, we have successfully completed 54 DS GMP lots with a success rate exceeding 98%. Additionally, we have completed 84 DP GMP lots with a success rate of 100%. These are in support of our internal pipeline as well as our CDMO clients in both China and the U.S.

Management Discussion and Analysis

- ***CDMO Business***

  In the first half of 2023, our CDMO business unit added media development and ADC CMC development services to our clients. During the Reporting Period, our CDMO business added over 12 new clients in China and the U.S. with expanded service in media development, ADC development, lyophilized formulation, analytical testing, formulation studies, particle investigation and drug product Fill & Finish.

EVENTS AFTER THE REPORTING PERIOD

Clinical Development

- In July 2023, we have received approvals from China CDE and South Korea MFDS to initiate TranStar301 global Phase III pivotal trial of osemitamab (TST001) in combination with nivolumab and chemotherapy for the 1L treatment of patients with HER2 negative, Claudin18.2 expressing locally advanced or metastatic G/GEJ cancer. In addition, we are in the process of EU and U.S. FDA regulatory interaction.
- In July 2023, we completed the first dose escalation cohort for TST003.
- In August 2023, we initiated the first Chinese site for the global FIH study for TST003.

CDMO & CMC

- We started to offer services with new technologies such as media development and conjugation/purification process development for ADC molecules.
- We have started to offer formulation development service for unstable molecules using lyophilization technology.
- We plan to launch our cell culture media business offering our highly competitive fed-batch and perfusion media to a broad client base.

Save as disclosed above, the Group has had no material event since the end of the Reporting Period and up to the Latest Practicable Date.

Management Discussion and Analysis

FUTURE OUTLOOK

We expect to advance multiple key pipeline molecule programs and especially to initiate our first global registration trial (TranStar301) for osemitamab (TST001). We also strive to establish global collaboration on our leading assets such as osemitamab (TST001) and TST002. We also plan to further advance our CMC platform and grow our CDMO business and revenue. A detailed breakdown of expected developments for the remainder of 2023 and the first half of 2024 is as follows:

Clinical Developments

Osemitamab (TST001)

- We plan to initiate a global pivotal trial (TranStar301) of osemitamab (TST001) for 1L G/GEJ cancer patients with Claudin18.2 overexpression. We anticipate submitting pivotal trial declarations with U.S. FDA, EMA, and other regions of the world including Japan.
- We plan to present clinical data at several medical conferences.
- We are exploring several Claudin18.2 expressing solid tumors other than G/GEJ cancer.

TST002 (Blosozumab)

- We plan to initiate a Phase II study in the second half of 2023.
- We will present the phase I single ascending dose results at a medical conference for TST002.

TST003

- We will expand TST003 FIH trial to open enrollment in China and explore combinations, including with our own portfolio molecules.

Potential Partnerships

- We expect that further clinical data from our lead asset osemitamab (TST001) and progresses on the preparation of the Phase III study will help advance the discussions with potential partners for global partnership of osemitamab (TST001) in Claudin18.2 expressing solid tumors including G/GEJ cancer, pancreatic cancer and NSCLC.
- We will continue partnership discussions for our clinical assets including TST003 as well as non-oncology pipeline molecules such as TST002, TST004, TST008 and TST801 to maximize the value of our assets.

Management Discussion and Analysis

CMC and Technology Developments

- We will fully develop in-house cell line expression system and be ready for out-licensing for CDMO clients as well as for internal programs.
- We will complete Phase I development of proprietary cell culture media formulation (perfusion and fed-batch) for three commercial cell line expression systems, as well as for in-house system. We expect significant improvement in productivity and all cell culture media available for cell culture media business.
- We expect to complete the setup of infrastructure and establish internal development capabilities for lyophilized DP in support of internal and CDMO programs.

CDMO

- We will continue to strengthen and expand BD activities globally to increase CDMO contracts from both China and U.S. clients.
- We will increase our efforts in marketing our CDMO services overseas.
- We plan to increase our competitiveness by improving operational efficiency, reducing cost, adding new capabilities such as drug product development for siRNA therapeutics, process development for ADC, and media development.
- We will offer more diversified and tailored service from developability assessment, cell line development, media development, process development and optimization, formulation and DP product development, analytical testing as well as integrated service package for IND and BLA filings.
- We aim to increase CDMO project using perfusion process and further establish ourselves as leader in continuous bioprocessing.

We will continue the progression of our pipeline and keep exploring partnerships to enhance the global development strategy and maximize commercial value of our drug candidates. We will continue to develop and implement leading technology to improve productivity with lower costs. Leading with our global strategy and vision, we will be able to unlock the full potential of our portfolio and drive long term value creation.

Management Discussion and Analysis

FINANCIAL REVIEW

Six months ended June 30, 2023 compared to six months ended June 30, 2022

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**36,084**	21,758
Cost of sales	**(25,972)**	(18,686)
Gross profit	**10,112**	3,072
Other income	**17,585**	23,852
Other gains and losses, net	**9,279**	10,197
Impairment losses under expected credit loss model	**(267)**	–
Research and development ("**R&D**") expenses	**(207,940)**	(170,315)
Administrative and selling expenses	**(57,954)**	(58,893)
Share of results of a joint venture	**51**	(2,553)
Finance costs	**(8,626)**	(9,554)
Loss before tax	**(237,760)**	(204,194)
Income tax credit	**113**	121
Loss for the period	**(237,647)**	(204,073)
Other comprehensive expense for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation	**(7,658)**	(5,991)
Total comprehensive expense for the period	**(245,305)**	(210,064)
Non-IFRS measure: *(Note)*		
Add: Adjusted for share-based compensation expenses	**13,337**	5,976
Adjusted loss and total comprehensive expenses for the period	**(231,968)**	(204,088)

Note: See section below headed "Non-IFRS Measure" for the details of the non-IFRS measure adjustments.

Management Discussion and Analysis

Selected Data from Statement of Financial Position

	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Non-current assets	**1,061,266**	1,078,070
Current assets	**868,766**	1,056,475
Total assets	**1,930,032**	2,134,545
Current liabilities	**540,648**	550,370
Non-current liabilities	**151,915**	110,275
Total liabilities	**692,563**	660,645
Net current assets	**328,118**	506,105

1. Revenue

The Group provides CDMO services and research and development services. CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage. The research and development services are mainly for investigational new drug enabling studies based on customers' needs.

The Group primarily earns revenues by providing CDMO services and research and development services to its customers through fee-for-service ("FFS") contracts. Contract duration is generally a few months to two years. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units.

Disaggregated revenue information:

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CDMO services	**36,084**	17,202
Research and development services	**–**	4,556
	36,084	21,758

Management Discussion and Analysis

2. Other Income

Other income consists of bank interest income and government grants. Government grants represent 1) various subsidies granted by the PRC local government authorities to our subsidiaries as incentives for our research and development activities, which are recognized when payments were received; and 2) amortisation of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

For the six months ended June 30, 2023, other income of our Group decreased by RMB6.3 million, from RMB23.9 million for six months ended June 30, 2022. The decrease was primarily due to the decrease in government grants we recognized during the six months ended June 30, 2023.

3. Other Gains and Losses, Net

Other net gains and losses decreased by RMB0.9 million for the six months ended June 30, 2023 from RMB10.2 million for the six months ended June 30, 2022, which is attributable to the difference in net foreign exchange gain.

4. Research and Development Expenses

Research and development expenses primarily consist of pre-clinical expenses including testing fee and pre-clinical trial expenses, staff cost for our research and development personnel, clinical expenses including testing fee and clinical trial expenses, materials consumed for research and development of our drug candidates, depreciation and amortization expenses and others. The research and development expenses increased by RMB37.6 million from RMB170.3 million for the six months ended June 30, 2022 to RMB207.9 million for the six months ended June 30, 2023, primarily due to the increase in clinical expenses and the decrease in pre-clinical expenses with the progress of research and development activities of our pipelines.

The following table sets forth the components of the Group's research and development expenses for the period indicated.

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Clinical expenses	**88,507**	51,202
Pre-clinical expenses	**11,210**	29,004
Staff cost	**70,952**	57,436
Materials consumed	**8,659**	8,919
Depreciation and amortization expenses	**20,832**	18,114
Others	**7,780**	5,640
Total	**207,940**	170,315

Management Discussion and Analysis

5. Administrative and selling expenses

The administrative and selling expenses decreased by RMB0.9 million from RMB58.9 million for the six months ended June 30, 2022 to RMB58.0 million for six months ended June 30, 2023, primarily attributable to the decrease in personnel cost and professional services. Our selling expenses primarily consist of personnel cost, travel, depreciation and amortization and others. Our administrative expenses consist primarily of salaries and related benefits costs for our administrative personnel, professional fees for services provided by professional institutions, depreciation and amortization expenses, office expenses for our daily operation, traveling and transportation expenses, and others.

The following table sets forth the components of the Group's selling and administrative expenses for the period indicated.

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and related benefits costs	**28,454**	33,863
Professional fees	**10,719**	6,251
Depreciation and amortization expenses	**4,049**	2,590
Office expenses	**9,060**	8,478
Others	**5,672**	7,711
	57,954	58,893

OTHER COMPREHENSIVE INCOME

Our other comprehensive income increased from a loss of RMB6.0 million for the six months ended June 30, 2022 to a loss of RMB7.7 million for the six months ended June 30, 2023.

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted loss and total comprehensive expenses for the period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS. The Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. However, the Company believes that this and other non-IFRS measures are reflections of the Group's normal operating results by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

Management Discussion and Analysis

Adjusted loss and total comprehensive expenses for the period represents the loss and total comprehensive expenses for the period excluding the effect of share-based compensation expenses. The table below sets forth a reconciliation of the loss and total comprehensive expenses for the period to adjusted loss and total comprehensive expenses for the period during the periods indicated:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total comprehensive expenses for the period:	**(245,305)**	(210,064)
Share-based compensation expenses	**13,337**	5,976
Adjusted loss and total comprehensive expenses for the period	**(231,968)**	(204,088)

EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth a breakdown of our employees as at June 30, 2023 by function.

	Number of employees	**% of total number of employees**
Research and Development	172	54.09
General and Administrative	59	18.55
Manufacturing	87	27.36
	318	100.00

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

LIQUIDITY AND FINANCIAL RESOURCES

As of June 30, 2023, bank balances and cash, pledged bank deposits and time deposits were RMB814.1 million, as compared to RMB993.4 million as of December 31, 2022. The decreased was mainly due to pipeline advancement.

Management Discussion and Analysis

GEARING RATIO

The gearing ratio of the Group was calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%. Since the Group maintained a net cash position as at June 30, 2023 and December 31, 2022, the gearing ratio is not applicable.

OTHER FINANCIAL INFORMATION

Significant Investments, Material Acquisitions and Disposals

The Group did not make any significant investments (including any investment in an investee company with a value of 5 percent or more of the Group's total assets as at June 30, 2023) during the period ended June 30, 2023. The Group did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures for the six months ended June 30, 2023.

Foreign Exchange Risk

The functional currency of the Company is Renminbi. During the period ended 30 June, 2023, certain bank balances and cash, trade and other receivables, amounts due from related parties and trade and other payables are denominated in U.S. dollars, which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Bank Loans and Other Borrowings

As at 30 June 2023, bank borrowings amounting to RMB45,890,000 (as at 31 December 2022: RMB49,100,000), are secured by property, plant and equipment with carrying amount of RMB96,624,476.87 (as at 31 December 2022: RMB106,027,000). All bank borrowings were denominated in RMB. We had an aggregate of RMB355,000,000 overdrafts with fixed interest rates as at 30 June 2023.

Contingent Liabilities

As at December 31, 2022 and June 30, 2023, we did not have any material contingent liabilities.

Other Information

Save as certain information disclosed up to the Latest Practicable Date, the Company sets out the following information for the six months ended June 30, 2023:

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 June 30, 2023, the interests and short positions of the Directors or chief executives of our Company in any of the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which will be required to be 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 as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position
Dr. Xueming Qian	Beneficial owner[2], Founder and beneficiary of discretionary trust, Interest in controlled corporation[3]	58,537,906	13.76%	Long position
Dr. Yining Zhao	Beneficial owner[4], interest in controlled Corporation[5]	13,987,938	3.29%	Long position
Mr. Xiaolu Weng	Beneficial owner[6]	4,400,000	1.03%	Long position
Mr. Jiasong Tang	Independent non-executive director[7]	30,000	0.01%	Long position
Mr. Zhihua Zhang	Independent non-executive director[8]	30,000	0.01%	Long position
Dr. Jun Bao	Independent non-executive director[9]	30,000	0.01%	Long position
Dr. Kumar Srinivasan	Independent non-executive director[10]	30,000	0.01%	Long position

Other Information

Notes:

1. The calculation is based on the total number of 425,481,390 Shares as at June 30, 2023.
2. Includes 4,330,000 Shares Dr. Qian holds in his name, 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Island company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link, and Dr. Qian's entitlement to receive up to 4,041,024 and 4,277,188 Shares pursuant to the share options and share awards granted to him, respectively.
3. Includes 23,242,154 Shares held by Qian Dynasty Irrevocable Trust and 22,411,376 Shares held by Shi Dynasty Irrevocable Trust. With regards to the Success Voyager Trust, the beneficiaries are Dr. Qian's children, the trustee is Trident Trust Company (South Dakota) Inc. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, the investment advisor is Dr. Qian, who can control voting rights attached to the relevant Shares, and the trustee is HSBC Trust Company (Delaware) National Association.
4. Includes 3,840,953 Shares Dr. Yining Zhao holds in his name in the capacity of a limited partner of Success Link and Dr. Yining Zhao's entitlement to receive up to 8,853,181 and 198,997 Shares pursuant to the options and share awards granted to him, respectively.
5. Includes 1,094,807 Shares held by VI Holding Limited which is wholly-owned by Dr. Yining Zhao.
6. Represents Mr. Xiaolu Weng's entitlement to receive up to 4,400,000 Shares pursuant to the share awards granted to him.
7. Represents Mr. Jiasong Tang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.
8. Represents Mr. Zhihua Zhang's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.
9. Represents Dr. Jun Bao's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him. Dr. Jun Bao has resigned as an independent non-executive Director with effect from August 23, 2023.
10. Represents Dr. Kumar Srinivasan's entitlement to receive up to 30,000 Shares pursuant to the share awards granted to him.

Save as disclosed above, as at June 30, 2023, 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 any of its associated corporations.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2023, so far as the Directors or chief executives are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to our 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:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]	Long position/ Short position/ Lending pool
Dr. Xueming Qian[2]	Beneficial owner; founder and beneficiary of discretionary trust; interest in controlled corporation	58,537,906	13.76%	Long position
HSBC Trust Company (Delaware) National Association[2]	Trustee of discretionary trust	45,653,530	10.73%	Long position
Yi Shi[3]	Interest in controlled corporation	70,536,703	16.58%	Long position
LAV Asset Management (Hong Kong) Limited[3]	Investment manager	70,536,703	16.58%	Long position
LAV Corporate GP, Ltd.[3]	Interest in controlled corporation	50,566,136	11.88%	Long position
LAV GP III, L.P.[3]	Interest in controlled corporation	50,566,136	11.88%	Long position
LAV Biosciences Fund III, L.P.[3]	Beneficial owner; interest in controlled corporation	33,710,963	7.92%	Long position
LAV Vitality Limited[3]	Beneficial owner	22,388,232	5.26%	Long position
Temasek Holdings (Private) Limited[4]	Interest in controlled corporation	28,086,380	6.60%	Long position
Fullerton Management Pte Ltd[4]	Interest in controlled corporation	26,021,880	6.12%	Long position
Temasek Life Sciences Private Limited[4]	Interest in controlled corporation	26,021,880	6.12%	Long position
TLS Beta Pte. Ltd.[4]	Beneficial owner	26,021,880	6.12%	Long position
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)[5]	Beneficial owner; interest in controlled corporation	39,421,012	9.27%	Long position

Other Information

Notes:

1. The calculation is based on the total number of 425,481,390 Shares in issue as at June 30, 2023.

2. Dr. Xueming Qian (the "**Dr. Qian**") is an executive Director and chief executive officer of our Company. This includes 4,330,000 Shares Dr. Qian holds in his name and his entitlement to receive up to (i) 236,164 Shares held by Success Voyage Investment Limited, a British Virgin Island company wholly-owned by the Success Voyager Trust and is a limited partner of Success Link; (ii) 4,041,024 and 4,277,188 Shares pursuant to the share options and share awards granted to him, respectively; and (iii) 23,242,154 Shares held by Qian Dynasty Irrevocable Trust and 22,411,376 Shares held by Shi Dynasty Irrevocable Trust. With regards to the Success Voyager Trust, the beneficiaries are Dr. Qian's children, the trustee is Trident Trust Company (South Dakota) Inc. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, the investment advisor is Dr. Qian, who can control voting rights attached to the relevant Shares, and the trustee is HSBC Trust Company (Delaware) National Association.

3. LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are Cayman Islands exempted partnership funds. The general partner of LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P. are LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. Both LAV Vitality Limited (beneficial owner of 22,388,232 Shares) and LAV Altitude Limited (beneficial owner of 10,276,020 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P. LAV Biosciences Fund III, L.P. also holds 1,046,711 Shares in its own name. Both LAV Verdure Limited (beneficial owner of 11,194,116 Shares) and LAV Acuity Limited (beneficial owner of 5,138,010 Shares) are limited companies incorporated in the British Virgin Islands and are wholly-owned by Lilly Asia Ventures Fund III, L.P.. Lilly Asia Ventures Fund III, L.P. also holds 523,047 Shares in its own name.

   LAV Biosciences Fund V, L.P. is a Cayman Islands exempted partnership fund. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. LAV Biosciences Fund V, L.P. holds 16,667,067 Shares in its own name and wholly-owns LAV Amber Limited, which is the beneficial owner of 3,303,500 Shares.

   Therefore, Yi Shi is deemed to be interested in the Shares held by LAV Biosciences Fund III, L.P., LAV Vitality Limited, LAV Altitude Limited, Lilly Asia Ventures Fund III, L.P., LAV Verdure Limited, LAV Acuity Limited, LAV Biosciences Fund V, L.P. and LAV Amber Limited. LAV Asset Management (Hong Kong) Limited in its capacity as the investment manager of the funds it manages acquired the interest.

4. TLS Beta Pte. Ltd. is a company incorporated in Singapore, which is a direct wholly-owned subsidiary of Temasek Life Sciences Private Limited. Temasek Life Sciences Private Limited is a direct wholly-owned subsidiary of Fullerton Management Pte Ltd, which in turn is a direct wholly-owned subsidiary of Temasek Holdings (Private) Limited. Aranda Investments Pte. Ltd. (beneficial owner of 2,064,500 Shares) is a company incorporated in Singapore and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited.

5. China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) is a company incorporated in the PRC and (i) wholly-owns EverestLu Holding Limited (永祿控股有限公司), which is a limited company incorporated in Hong Kong and the beneficial owner of 16,076,988 Shares, and (ii) is interested in approximately 75.8% of China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) in its capacity as a limited partner, which is the beneficial owner of 10,954,024 Shares.

Other Information

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

EQUITY PLANS

The Company has one expired share schemes with awards outstanding and one existing share scheme, namely the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme, respectively.

13,446,889 new Shares, representing approximately 3.30% of the weighted average of issued ordinary shares of the Company for the six months ended June 30, 2023, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme (excluding 2,013,501 shares lapsed/cancelled and any award shares that will be satisfied by the existing shares held by trust(s)), of which 6,602,238 underlying new Shares have already been issued for the six months ended June 30, 2023.

Further, details and relevant breakdowns of each of the equity plans are set out below:

1. Pre-IPO Equity Incentive Plan

The Pre-IPO Equity Incentive Plan of the Company was effective since January 1, 2019 and as disclosed in the circular of the Company dated May 16, 2023, the Pre-IPO Equity Incentive Plan was terminated on May 31, 2023 and the Company shall not make any further grants under the Pre-IPO Equity Incentive Plan thereafter (the "**Termination of Pre-IPO Equity Incentive Plan**").

Share Limit

The maximum number of Shares in respect of which Pre-IPO Awards may be granted under this Pre-IPO Equity Incentive Plan shall not exceed 69,325,254 Shares in the aggregate (representing 16.04% of the issued shares of our Company as at the Latest Practicable Date), subject to any adjustments in the event of any alteration in the capital structure of the Company. No further Awards would be granted under the Pre-IPO Equity Incentive Plan after May 31, 2023 pursuant to the Termination of Pre-IPO Equity Incentive Plan.

As of January 1, 2023, 8,753,179 RSUs were available for grant under the Pre-IPO Equity Incentive Plan. During the Reporting Period, nil RSUs were granted to eligible participants pursuant to the Pre-IPO Equity Incentive Plan and 1,492,481 Pre-IPO Options and 145,000 RSUs had lapsed in accordance with the rules of the Pre-IPO Equity Incentive Plan. Due to the Termination of Pre-IPO Equity Incentive Plan on May 31, 2023, it follows that, as of June 30, 2023, nil Pre-IPO Options or RSUs were available for grant under the Pre-IPO Equity Incentive Plan.

Other Information

Outstanding Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan

The Company has not granted further Pre-IPO Options under the Pre-IPO ESOP after the Listing Date. Details of the movements of the Pre-IPO Options granted under the Pre-IPO Equity Incentive Plan as at June 30, 2023 are as follows.

Name	Date of grant	Vesting period[1]	Exercise price	Outstanding as at January 1, 2023[2]	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at June 30, 2023[2],[3]
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)									
205 Employee Participants in aggregate	Between September 28, 2016 to June 13, 2021	2 to 4 years	Between US$0.001 per Share to US$1.5 per Share	12,862,589	96,718[4]	HK$3.47	1,331,588	–	11,434,283
7 service providers in aggregate[5]	Between September 28, 2016 to November 16, 2020	4 to 5 years	Between US$0.0879 per Share to US$0.4688 per Share	880,708	–	–	160,893	–	719,815
Total				**13,743,297**	**96,718**	**–**	**1,492,481**	**–**	**12,154,098**

Other Information

Note:

1. The exercise period of the Pre-IPO Options shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.

2. The outstanding calculations exclude Pre-IPO Options where the underlying Shares have been issued to Success Reach International Limited and Success Link.

3. A portion of the Pre-IPO Options granted are vested based on milestones achievement stated in the Offer Letter or Grant Letter.

4. The exercise price of the Pre-IPO Options exercised during the Reporting Period is between US$0.1 per Share to US$0.4688 per Share.

5. The service providers are consultants of the Company who are not employees or former employees of the Group.

6. On November 13, 2020, options and awards amounting to an aggregate of 2,670,445 Shares granted to certain participants (the "Trust Participants") under the Pre-IPO Equity Incentive Plan were transferred to Success Reach International Limited, and 2,670,445 Shares were issued to Success Reach International Limited on February 10, 2021. The entire share capital of Success Reach International Limited is held by Trident Trust Company (HK) Limited in trust which serves as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company on November 13, 2020 for the benefit of Trust Participants, including Mr. Albert Da Zhu. To the knowledge of the Company and save for Mr. Albert Da Zhu and Dr. Chuan Qi, the Trust Participants are Independent Third Parties.

7. On November 13, 2020, options and awards amounting to an aggregate of 32,840,878 Shares granted to certain participants, including among others Xueming Qian, Michael Ming Shi, Yining Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia (the "ELP Participants") under the Pre-IPO Equity Incentive Plan were early-exercised, the exercise price of such share options were paid by delivering a promissory note to the Company payable by each of the ELP Participants, and such 32,840,878 shares were transferred to Success Link on February 10, 2021 pursuant to the amended and restated exempted limited partnership agreement dated February 8, 2021 for the benefits of ELP Participants. As certain grantees have indicated to the Company their inability to pay their outstanding monetary obligations under their relevant Promissory Notes, the Company and certain Grantees have entered into the Cancellation Agreements on November 25, 2022 to settle the relevant Promissory Notes. The cancellation of 25,704,680 underlying Shares pursuant to the Cancellation Agreements were completed on December 1, 2022.

Other Information

Outstanding RSUs granted under the Pre-IPO Equity Incentive Plan

Details of the movements of the RSUs granted under the Pre-IPO Equity Incentive Plan as at June 30, 2023 are as follows:

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of RSUs on the date of grant (per RSU)[2]	Unvested RSUs as at January 1, 2023[3]	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested RSUs as at June 30, 2023[3]
Directors													
Mr. Xiaolu Weng	December 19, 2022	2,550,000 RSUs: equally in three years installments; 1,000,000 RSUs: based on performance targets	US$0.001	1,000,000 RSUs: based on valuation of the Company	HK$3.07	US$0.3850	3,550,000[4]	–	–	–	–	–	3,550,000
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
17 Employee Participants in aggregate	August 30, 2022	To be vested over 4 years	US$0.00~0.10		HK$2.96	US$0.3487	1,335,000	–	197,500[5]	HK$2.72	125,000	–	1,012,500
2 Service Providers in aggregate	June 13, 2021	To be vested over 4 years	US$0.00		–	US$1.6275	20,000	–	–	–	20,000	–	–
Total							**4,905,000**	**–**	**197,500**	**–**	**145,000**	**–**	**4,562,500**

Other Information

Note:

1. The exercise period of the RSUs shall be 10 years from the date of grant, subject to the terms of the Pre-IPO Equity Incentive Plan and the Offer Letter.

2. The fair value of RSUs are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

3. The unvested calculations exclude RSUs where the underlying Shares have been issued to Success Reach International Limited and Success Link.

4. On December 19, 2022, 4,400,000 RSUs which will be satisfied by existing Shares held by Success Link were conditionally granted to Mr. Xiaolu Weng. Such grant was subsequently approved at the Company's extraordinary general meeting on March 9, 2023.

5. The purchase price of the RSUs vested during the Reporting Period is between US$0.00 per Share to US$0.001 per Share.

6. On November 13, 2020, Options and Awards amounting to an aggregate of 2,670,445 Shares granted to certain participants (the "Trust Participants") under the Pre-IPO Equity Incentive Plan were transferred to Success Reach International Limited, and 2,670,445 Shares were issued to Success Reach International Limited on February 10, 2021. The entire share capital of Success Reach International Limited is held by Trident Trust Company (HK) Limited in trust which serves as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company on November 13, 2020 for the benefit of Trust Participants, including Mr. Albert Da Zhu. To the knowledge of the Company and save for Mr. Albert Da Zhu and Dr. Chuan Qi, the Trust Participants are Independent Third Parties.

7. On November 13, 2020, Options and Awards amounting to an aggregate of 32,840,878 Shares granted to certain participants, including among others Xueming Qian, Michael Ming Shi, Yining Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia (the "ELP Participants") under the Pre-IPO Equity Incentive Plan were early-exercised, the exercise price of such share options were paid by delivering a promissory note to the Company payable by each of the ELP Participants, and such 32,840,878 shares were transferred to Success Link on February 10, 2021 pursuant to the amended and restated exempted limited partnership agreement dated February 8, 2021 for the benefits of ELP Participants. As certain grantees have indicated to the Company their inability to pay their outstanding monetary obligations under their relevant Promissory Notes, the Company and certain grantees have entered into the Cancellation Agreements on November 25, 2022 to settle the relevant Promissory Notes. The cancellation of 25,704,680 underlying Shares pursuant to the Cancellation Agreements were completed on December 1, 2022.

Other Information

For further details of the RSUs granted under the Pre-IPO Equity Incentive Scheme during the Reporting Period, please refer to the announcement published by the Company on December 20, 2022 and January 26, 2023 and the circular published by the Company on February 16, 2023.

2. Share Incentive Scheme

The Share Incentive Scheme was adopted pursuant to the written resolutions of the Shareholders passed on June 18, 2021 and amended on November 4, 2022 (the "**Scheme Amendment**").

Maximum number of Awards (either to be satisfied by new Shares or existing Shares) and Options available for grant

The aggregate number of Shares underlying all grants made or to be made pursuant to the Share Incentive Scheme will not exceed 44,551,933 Shares without Shareholders' approval (the "**Share Incentive Scheme Limit**").

As of January 1, 2023, 23,411,593 Awards or Options were available for future grant under the Share Incentive Scheme Limit and 8,910,386 Awards or Options were available for future grant under the service provider sublimit (service provider sublimit being subject to the Share Incentive Scheme Limit). During the Reporting Period, 6,816,185 Awards and 8,644,205 Options were granted to eligible participants pursuant to the Share Incentive Scheme and 112,180 Awards and 263,840 Options had lapsed in accordance with the rules of the Share Incentive Scheme. It follows that, as of June 30, 2023, 8,273,043 Awards or Options were available for future grant under the Share Incentive Scheme Limit and 8,910,386 Awards or Options were available for future grant under the service provider sublimit (service provider sublimit being subject to the Share Incentive Scheme Limit).

Other Information

Outstanding Options granted under the Share Incentive Scheme

Details of the movements of the Options granted under the Share Incentive Scheme as at June 30, 2023 are as follows:

Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant (per Option)[2]	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at June 30, 2023
Directors, chief executive or substantial shareholder													
Dr. Xueming Qian	December 19, 2022	Based on performance targets	HK$3.23	Upon the achievement of performance targets relating to market capitalization and various project milestone achievement on clinical development	HK$3.07	US$0.1552	400,000	–	–	–	–	–	400,000
	January 26, 2023	2,971,727 Options: to be vested from January 26, 2024 to September 28, 2025; 669,297 Options: based on performance targets	HK$3.02	669,297 Options: upon milestone achievements of clinical development	HK$3.02	US$0.1908~ 0.2071	–	3,641,024	–	–	–	–	3,641,024

Other Information

Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant (per Option)[2]	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at June 30, 2023
Dr. Yining Zhao	December 19, 2022	Based on performance targets	HK$3.23	Upon the achievement of performance targets relating to various project milestone achievement on clinical development	HK$3.07	US$0.1604	4,000,000	–	–	–	–	–	4,000,000
	January 26, 2023	3,062,212 Options: to be vested from January 26, 2024 to September 28, 2025; 1,790,969 Options: based on performance targets	HK$3.02	1,790,969 Options: upon milestone achievements of clinical development	HK$3.02	US$0.1527~ 0.1904	–	4,853,181	–	–	–	–	4,853,181

Other Information

Name	Date of grant	Vesting period[1]	Exercise price	Performance targets	Closing price of Shares immediately before the date of grant	Fair value of the Options on the date of grant (per Option)[2]	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Weighted average closing price of Shares immediately before the date of exercise	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at June 30, 2023
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
21 Employee Participants in aggregate	December 19, 2022	2,854,940 Options: to be vested over 1 to 4 years; 4,450,240 Options: based on performance targets	HK$3.23	4,450,240 Options: upon the achievement of certain performance targets including various project milestone achievements on clinical development, CMC, and partnership	HK$3.07	US$0.1552~ 0.2375	7,305,180	–	–	–	263,840	–	7,041,340
2 Employee Participants in aggregate	March 31, 2023	50,000 Options: to be vested over 4 years; 100,000 Options: based on performance targets	HK$2.56	100,000 Options: upon success of business development and Company coverage	HK$2.56	US$0.1677~ 0.3144	–	150,000	–	–	–	–	150,000
Total							**11,705,180**	**8,644,205**	**–**	**–**	**263,840**	**–**	**20,085,545**

Notes:

1. The exercise period of the Options shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the relevant grant letter.

2. The fair value of Options are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

For further details of the Options granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements published by the Company on January 26, 2023, March 31, 2023 and April 6, 2023 and the circular published by the Company on February 16, 2023.

Other Information

Outstanding Awards granted under the Share Incentive Scheme

Details of the movements of the Awards granted under the Share Incentive Scheme as at June 30, 2023 are as follows:

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant (per Award)[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at June 30, 2023
Directors, chief executive or substantial shareholder													
Dr. Xueming Qian	January 26, 2023	Based on performance targets	US$0.001	Upon target achievements on Company's valuation or market capitalization	HK$3.02	US$0.3606	–	4,277,188	–	–	–	–	4,277,188
Dr. Yining Zhao	January 26, 2023	To be vested from January 26, 2024 to January 26, 2025	US$0.001	–	HK$3.02	US$0.3606	–	198,997	–	–	–	–	198,997
Mr. Jiasong Tang	December 19, 2022	10,000 Awards: will vest on September 29, 2023; 10,000 Awards: will vest on September 29, 2024	US$0.00	–	HK$3.07	US$0.3858	20,000	–	–	–	–	–	20,000

Other Information

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant (per Award)[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at June 30, 2023
Dr. Jun Bao[3]	December 19, 2022	10,000 Awards: will vest on September 29, 2023; 10,000 Awards: will vest on September 29, 2024	US$0.00	–	HK$3.07	US$0.3858	20,000	–	–	–	–	–	20,000
Mr. Zhihua Zhang	December 19, 2022	10,000 Awards: will vest on September 29, 2023; 10,000 Awards: will vest on September 29, 2024	US$0.00	–	HK$3.07	US$0.3858	20,000	–	–	–	–	–	20,000
Dr. Kumar Srinivasan	April 6, 2023	10,000 Awards: will vest on April 6, 2024; 10,000 Awards: will vest on April 6, 2025; 10,000 Awards will vest on April 6, 2026	US$0.00	–	HK$2.73	US$0.3418	–	30,000	–	–	–	–	30,000

Other Information

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant (per Award)[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at June 30, 2023
Senior management													
Dr. Caroline Germa	December 19, 2022	To be vested from August 8, 2023 to August 8, 2026	US$0.001	–	HK$3.07	US$0.3850	3,000,000	–	–	–	–	–	3,000,000
	March 31, 2023	Based on performance targets	US$0.001	Upon target achievements of clinical development progress milestones for several programs.	HK$2.56	US$0.3093~0.3094	–	1,500,000	–	–	–	–	1,500,000
	April 6, 2023	Based on performance targets	US$0.001	Upon target achievements of clinical development progress milestones for several programs.	HK$2.73	US$0.1595~0.3410	–	500,000	–	–	–	–	500,000

Other Information

Name	Date of grant	Vesting period[1]	Purchase price (per Share)	Performance target	Closing price of Shares immediately before the date of grant	Fair value of Awards on the date of grant (per Award)[2]	Unvested Awards as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of Shares immediately before the vesting date	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested Awards as at June 30, 2023
Other grantees in category (other than Directors, chief executive or substantial shareholders of the Company)													
269 Employee Participants in aggregate	April 15, 2022	To be vested over 3 years	US$0.00	–	HK$7.15	US$0.9117	756,000	–	–	–	54,180	–	701,820
88 Employee Participants in aggregate	December 19, 2022	1,645,160 Awards: to be vested over 3 to 4 years; 300,000 Awards: based on performance targets	US$0.00	300,000 Awards: upon the achievement of certain performance targets on CMC, clinical development and partnership	HK$3.07	US$0.3858	1,945,160	–	–	–	58,000	–	1,887,160
5 Employees in aggregate	March 31, 2023	To be vested over 3 to 4 years from March 31, 2023	–	–	HK$2.56	US$0.3101~ 0.3410	–	310,000	–	–	–	–	310,000
Total							**5,761,160**	**6,816,185**	**–**	**–**	**112,180**	**–**	**12,465,165**

Other Information

Notes:

1. The exercise period of the Awards shall be 10 years from the date of grant, subject to the terms of the Share Incentive Scheme and the grant letter.

2. The fair value of Awards are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The methodology and assumptions used was binominal tree price model. The assumptions include risk free rate and expected volatility.

3. Dr. Jun Bao has resigned as an independent non-executive Director with effect from August 23, 2023.

For further details of the Awards granted under the Share Incentive Scheme during the Reporting Period, please refer to the announcements published by the Company on January 26, 2023, March 31, 2023 and April 6, 2023 and circular published by the Company on February 16, 2023, March 9, 2023 and May 15, 2023.

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

During the Reporting Period and up to the Latest Practicable Date, the Company repurchased a total of 1,075,000 ordinary shares (the "**Shares Repurchased**") of the Company on the Stock Exchange at an aggregate consideration of approximately HK$5,300,203. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration
		Highest *(HK$)*	Lowest *(HK$)*	*(HK$)*
April	86,000	3.36	3.14	283,403
May	633,000	5.31	3.98	3,194,489
June	321,000	5.30	5.00	1,676,741
August	8,500	4.21	3.49	33,380
September	26,500	4.23	4	112,190
Total	1,075,000			5,300,203

The Shares Repurchased from December 22, 2022 to June 20, 2023 were subsequently cancelled on June 30, 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period and up to the Latest Practicable Date.

Other Information

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended June 30, 2023.

USE OF NET PROCEEDS

With the Shares of the Company listed on the Stock Exchange on September 29, 2021 and based on the Offer Price of HK$16.00 per Offer Share, the net proceeds from the Global Offering were approximately HK$553.4 million (the "**Net Proceeds**"). As disclosed in announcement of the Company dated March 30, 2023 (the "**2022 Annual Results Announcement**"), the Board has resolved to change the intended use of Net Proceeds and remove the investment from MSB2311 and put them into TST001 (the "**Change in Use of Net Proceeds**"). The Company expects to fully utilize the residual amount of the net proceeds in accordance with such intended purposes by the end of 2025. The table below sets out the utilization of Net Proceeds as at June 30, 2023.

Use of Net Proceeds	Intended allocation of Net Proceeds after the Change in Use of Net Proceeds		Unutilized Net Proceeds as at January 1, 2023	Amount utilized as at June 30, 2023	Unutilized Net Proceeds as at June 30, 2023	Expected timeline of full utilization of the unutilized Net Proceeds
	% of Net Proceeds (approximately)	HK$ million	HK$ million	HK$ million	HK$ million	
1. Research and development of our pipeline product candidates, funding of ongoing and planned clinical and preclinical trials, preparation for registration filings and other steps or activities related to the commercialization of our four anchor products as follows:	82	453.8	453.8	81.3	372.5	On or before December 31, 2025
(i) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, osemitamab TST001	50	276.7	110.7	42.8	233.9	On or before December 31, 2025
(ii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST005	10	55.3	55.3	1.6	53.7	On or before December 31, 2025
(iii) fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST002	10	55.3	55.3	0	55.3	On or before December 31, 2025

Other Information

Use of Net Proceeds	Intended allocation of Net Proceeds after the Change in Use of Net Proceeds		Unutilized Net Proceeds as at January 1, 2023	Amount utilized as at June 30, 2023	Unutilized Net Proceeds as at June 30, 2023	Expected timeline of full utilization of the unutilized Net Proceeds
	% of Net Proceeds (approximately)	HK$ million	HK$ million	HK$ million	HK$ million	
(iv) fund ongoing and planned pre-clinical trials and preparation for registration filings of our key product and other pipeline products, including TST004, MSB0254, TST003, TST006 and TST008	12	66.5	66.5	36.9	29.6	On or before December 31, 2025
2. Fund the business development for pipeline expansion and technology development, with a focus in oncology assets that have synergy with our current pipeline and promising clinical evidences, and/or technology platforms that can complement our current discovery and development platforms, such as ADC, small molecule targeted therapies, and other advanced new technologies	8	44.3	44.3	0	44.3	On or before December 31, 2025
3. For general working capital purposes and general operation expenses	10	55.3	55.3	29.3	26	On or before December 31, 2025
Total	**100**	**553.4**	**553.4**	**110.6**	**442.8**	

For detailed description of the intended use of proceeds and the expected timeline, please refer to the section headed "Future plans and use of proceeds" in the Prospectus and "Reasons for the Change in Use of Net Proceeds" in the 2022 Annual Results Announcement.

The aforesaid expected timeline of full utilization of the Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development or any unforeseen circumstances.

Other Information

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "**CG Code**"). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transaction (if any) and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. Jiasong Tang (唐稼松), Mr. Zhihua Zhang (張志華) and Dr. Yining Zhao (趙奕寧), with Mr. Jiasong Tang (唐稼松) (being our independent non-executive Director with the appropriate professional qualifications) as chair of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended June 30, 2023 and has met with the independent auditor, Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, internal control and financial reporting matters with senior management members of the Group. The Audit Committee considers that this interim report is in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a nomination committee and a remuneration committee.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this interim report, the Group does not have other plans for material investments and capital assets as at the Latest Practicable Date.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the Latest Practicable Date since the last published annual report:-

- Dr. Jun Bao (包駿) resigned as an independent non-executive Director with effect from August 23, 2023.
- Ms. Helen Wei Chen (陳瑋) was appointed as an independent non-executive Director with August 23, 2023.
- Dr. Yining Zhao (趙奕寧) is the co-founder and CEO of Heranova Lifesciences Holding since June 2022.

Other Information

CORPORATE GOVERNANCE PRACTICES

The Company was incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on September 29, 2021.

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted and complied with the applicable code provisions of the CG Code throughout the Reporting Period. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance and alignment with the latest measures and standards set out in the CG Code, and maintain a high standard of corporate governance practices of the Company. The Company will report its compliance with the CG Code in the corporate governance report of the Company for the year ending December 31, 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees in securities of the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and they have confirmed that they have complied with the Model Code during the six months ended June 30, 2023. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the six months ended June 30, 2023.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2023.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF TRANSCENTA HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Transcenta Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54-76, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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 International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	**36,084**	21,758
Cost of sales		**(25,972)**	(18,686)
Gross profit		**10,112**	3,072
Other income	5	**17,585**	23,852
Other gains and losses, net	6	**9,279**	10,197
Impairment losses under expected credit loss model		**(267)**	–
Research and development expenses		**(207,940)**	(170,315)
Administrative and selling expenses		**(57,954)**	(58,893)
Share of results of a joint venture		**51**	(2,553)
Finance costs		**(8,626)**	(9,554)
Loss before tax	8	**(237,760)**	(204,194)
Income tax credit	7	**113**	121
Loss for the period		**(237,647)**	(204,073)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(7,658)**	(5,991)
Total comprehensive expense for the period		**(245,305)**	(210,064)
Loss per share	10		
– Basic and diluted (RMB)		**(0.58)**	(0.47)

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2023

	NOTES	**At 30 June 2023 RMB'000 (Unaudited)**	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**400,571**	418,992
Right-of-use assets		**32,929**	31,302
Goodwill		**471,901**	471,901
Interests in a joint venture	12	**1,270**	1,219
Deposits paid for acquisition of property, plant and equipment		**6,855**	6,673
Intangible assets		**95,920**	95,996
Other receivables	13	**1,540**	1,707
Time deposits		**50,000**	50,000
Pledged bank deposits		**280**	280
		1,061,266	1,078,070
Current assets			
Inventories		**23,529**	20,566
Trade and other receivables	13	**69,900**	69,623
Contract costs	14	**9,599**	17,636
Value-added-tax recoverable		**1,961**	5,564
Pledged bank deposits		**5,856**	47,636
Bank balances and cash		**757,921**	895,450
		868,766	1,056,475
Current liabilities			
Trade and other payables	15	**156,576**	148,381
Contract liabilities		**947**	1,146
Short-term overdrafts	16	**369,890**	387,600
Lease liabilities		**5,235**	5,243
Deferred income	17	**8,000**	8,000
		540,648	550,370
Net current assets		**328,118**	506,105
Total assets less current liabilities		**1,389,384**	1,584,175

Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2023

	NOTES	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Long-term overdrafts	16	**60,000**	16,000
Lease liabilities		**4,382**	2,617
Deferred income	17	**62,300**	66,300
Deferred tax liabilities		**25,233**	25,358
		151,915	110,275
Net assets		**1,237,469**	1,473,900
Capital and reserves			
Share capital	18	**275**	272
Treasury shares	18	**(11)**	(9)
Reserves		**1,237,205**	1,473,637
Total equity		**1,237,469**	1,473,900

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 18)	**Share premium** RMB'000	**Treasury shares** RMB'000 (Note 18)	**Other reserves** RMB'000 (Note)	**Share-based payment reserve** RMB'000	**Accumulated losses** RMB'000	**Translation reserve** RMB'000	**Total** RMB'000
At 1 January 2022 (Audited)	291	4,756,587	(7)	(231,245)	74,660	(2,639,804)	5,087	1,965,569
Total comprehensive expense for the period	–	–	–	–	–	(204,073)	(5,991)	(210,064)
Recognition of equity-settled share-based payment	–	–	–	–	5,976	–	–	5,976
At 30 June 2022 (Unaudited)	291	4,756,587	(7)	(231,245)	80,636	(2,843,877)	(904)	1,761,481
At 1 January 2023 (Audited)	**272**	**4,665,983**	**(9)**	**(231,245)**	**91,308**	**(3,046,549)**	**(5,860)**	**1,473,900**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(237,647)**	**(7,658)**	**(245,305)**
Share repurchased	**–**	**–**	**(4,680)**	**–**	**–**	**–**	**–**	**(4,680)**
Cancellation of share repurchased	**(1)**	**(4,681)**	**4,682**	**–**	**–**	**–**	**–**	**–**
Recognition of equity-settled share-based payment	**–**	**–**	**–**	**–**	**13,337**	**–**	**–**	**13,337**
Issuance of shares hold on trust	**4**	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**
Exercise of share options	**–***	**693**	**–**	**–**	**(476)**	**–**	**–**	**217**
At 30 June 2023 (Unaudited)	**275**	**4,661,995**	**(11)**	**(231,245)**	**104,169**	**(3,284,196)**	**(13,518)**	**1,237,469**

Note: Other reserves include i) effect of share purchase options written to non-controlling shareholders of Suzhou Transcenta Therapeutics Co., Ltd.**("Suzhou Transcenta") (蘇州創勝集團醫藥有限公司) and HJB (Hangzhou) Co., Ltd.** ("HJB Hangzhou") (杭州奕安濟世生物藥業有限公司) for converting their equity interests in Suzhou Transcenta and HJB Hangzhou to preferred shares of Transcenta Holding Limited (the "Company"); ii) effect of exercise of such share purchase options by these non-controlling shareholders, and iii) difference between the consideration paid and share of subsidiaries net assets acquired from non-controlling shareholders.

* *Amount is less than RMB1,000*

** *English names are for identification only*

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NET CASH USED IN OPERATING ACTIVITIES	**(197,672)**	(164,936)
INVESTING ACTIVITIES		
Interest received from banks	**20,052**	9,864
Cash received from settlement of promissory note receivables	**–**	252
Purchase of property, plant and equipment	**(15,373)**	(11,435)
Purchase of intangible assets	**–**	(40)
Placement of restricted bank deposits	**–**	(40,277)
Refund of rental deposits	**167**	136
Withdrawal of restricted bank deposits	**41,788**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**46,634**	(41,500)
FINANCING ACTIVITIES		
New bank borrowings raised	**250,000**	223,034
Repayment of bank borrowings	**(223,710)**	(169,534)
Repayments of lease liabilities	**(3,170)**	(3,295)
Receipt of proceeds in connection to exercise of share options	**217**	468
Payment on repurchase and cancellation of ordinary shares	**(4,680)**	–
Interest paid	**(8,115)**	(8,195)
NET CASH FROM FINANCING ACTIVITIES	**10,542**	42,478
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(140,496)**	(163,958)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD, REPRESENTING BY BANK BALANCES AND CASH	**895,450**	1,222,026
Effects of foreign exchange rate changes	**2,967**	33,350
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**757,921**	1,091,418

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

2.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance. And it has no impact on the retained earnings at the earliest period presented.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. REVENUE

Disaggregated revenue information:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CDMO services	**36,084**	17,202
Research and development services	**–**	4,556
	36,084	21,758

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components' of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the current interim period, the CODM assesses the operating performance and allocated the resources of the Group as a whole as the Group is primarily engaged in the discovering, developing, manufacturing and commercializing novel drugs. Therefore, the CODM considers the Group only has one operating segment.

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") and the United States of America (the "USA").

All the Group's revenue from external customers is derived from the PRC operations. As at 30 June 2023 and 31 December 2022, non-current assets of RMB136,000 and RMB339,000 respectively, are located in the USA. The remaining non-current assets are all located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**16,235**	2,831
Customer B	**7,300**	N/A
Customer C	**N/A**	6,474
Customer D (joint venture)	**N/A**	4,556

N/A: not disclosed as amounts less than 10% of total revenue

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**8,518**	9,864
Promissory note interest income	**–**	129
Government grants (Note)	**9,067**	13,859
	17,585	23,852

Note: The amount represents 1) various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's research and development activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognised when payments were received; and 2) amortisation of subsidies received from the PRC local government authorities to subsidize the purchase of the Group's property, plant and equipment.

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**9,142**	13,372
Loss arising on revision of interest rate of promissory notes receivables	**–**	(3,299)
Others	**137**	124
	9,279	10,197

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax:		
Under provision in prior years	**(12)**	–
Deferred tax:		
Current period	**125**	121
	113	121

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. LOSS BEFORE TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Selling expenses (included in administrative and selling expenses)	**1,898**	58
Depreciation of property, plant and equipment	**25,493**	24,705
Amortization of intangible assets	**76**	88
Depreciation of right-of-use assets	**3,136**	3,190
	28,705	27,983
Capitalized in the ending balance of contract costs	**(83)**	(3,645)
Capitalized in the ending balance of construction in progress	**(299)**	(299)
	28,323	24,039
Auditors' remuneration	**1,650**	1,650
Directors' emoluments	**13,589**	10,519
Other staff costs:		
– salaries and other benefits	**65,173**	70,165
– retirement benefit scheme contributions	**13,611**	14,278
– share-based payments	**6,343**	4,211
	98,716	99,173
Capitalized in the ending balance of contract costs	**(2,984)**	(6,423)
	95,732	92,750

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of calculating basic and diluted loss per share	**(237,647)**	(204,073)
Number of weighted average ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**407,713,827**	435,195,687

For six months ended 30 June 2023 and 2022, the number of treasury shares were excluded from the total number of shares of the Company for the computation of basic loss per share.

For six months ended 30 June 2023 and 2022, the computation of diluted loss per share did not assume the exercise of share options and the vesting of restricted share units since their assumed exercise would result in a decrease in loss per share.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid RMB15,373,000 (six months ended 30 June 2022: RMB11,435,000) on acquisition of new property, plant and equipment. There was no significant disposal or write off of property, plant and equipment during the current and prior interim period.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. INTERESTS IN A JOINT VENTURE

In November 2020, Suzhou Transcenta, a wholly-owned subsidiary of the Company, and Shanghai Alebund Pharmaceuticals Limited* (上海禮邦醫藥科技有限公司) ("Alebund Pharmaceuticals") entered into a framework agreement to set up Lisheng Biotech (Shanghai) Co., Ltd.* (禮勝生物醫藥(上海)有限公司) ("Lisheng"), a joint venture, to co-develop pipeline TST004. In accordance with the framework agreement, Suzhou Transcenta shall pay RMB500,000 as investment cost in Lisheng which represents the entire ownership interest of Lisheng initially. Alebund Pharmaceuticals shall then contribute a total of RMB60,837,000 (equivalent to approximately US$9,000,000) into Lisheng in five instalments subject to the achievement of certain research and development milestones as stipulated in the framework agreement. Upon the entire amount being contributed by Alebund Pharmaceuticals, the ownership interest in Lisheng will eventually be owned as 50% by Suzhou Transcenta and 50% by Alebund Pharmaceuticals. As part of the framework agreement, an ancillary collaboration and licensing agreement were entered into between Suzhou Transcenta, Alebund Pharmaceuticals and Lisheng in December 2020 pursuant to which Suzhou Transcenta shall out-license an irrevocable, permanent, exclusive and sub-licensable license to research, develop, commercialize, use, import, commit to sell, export and sell a licensed product, which is defined as a formulation with TST004 as the only active pharmaceutical ingredient, in Greater China region to Lisheng.

No further investment was made to Lisheng during the current interim period. As of 31 December 2022 and 30 June 2023, Alebund Pharmaceuticals has paid a total amount of RMB48,700,000 (equivalent to approximately US$7,200,000), and the ownership interest of Lisheng held by Suzhou Transcenta is 55.56%.

* *English names are for identification only.*

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables	**48,234**	34,012
Less: Allowance for credit losses	**(267)**	–
	47,967	34,012
Other receivables:		
Interest receivable	**474**	12,016
Prepayments for:		
Research and development services	**15,933**	18,719
Legal and professional services	**1,801**	2,083
Purchase of raw materials	**1,746**	2,039
Refundable rental deposits	**1,540**	1,707
Others	**1,979**	754
	71,440	71,330
Analysis as:		
Non-current	**1,540**	1,707
Current	**69,900**	69,623
	71,440	71,330

The Group normally grants a credit period of 30 days or a particular period agreed with customers effective from the date when the services have been completed and accepted by customers.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 30 days	**21,550**	31,965
31 – 60 days	**–**	1,936
61 – 90 days	**3,231**	96
91 – 120 days	**149**	–
121 – 365 days	**23,037**	15
	47,967	34,012

14. CONTRACT COSTS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Costs to fulfill contracts	**9,599**	17,636

Contract costs capitalized relate to the costs incurred to fulfill contracts. Contract costs are recognized as of part of cost of sales in the condensed consolidated statement of profit or loss and other comprehensive expense in the period in which revenue is recognized. The amount of capitalized costs recognized in profit or loss during the six months ended 30 June 2023 and 2022 was RMB25,972,000 and RMB18,686,000 (unaudited), respectively. There was no impairment in relation to the opening balance of capitalized costs or the cost capitalized during the six months ended 30 June 2023 and the year ended 31 December 2022.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade payables	**54,518**	48,154
Accrued research and development expenses	**64,598**	51,246
Payables for		
– Purchase of property, plant and equipment	**2,103**	10,520
– Legal and professional fee	**2,412**	1,125
– Others	**7,262**	7,351
Interest payables	**229**	576
Other tax payables	**1,771**	1,238
Accrued staff costs and benefits	**20,143**	27,022
Other accruals	**3,540**	1,149
	156,576	148,381

The average credit period on purchases of goods and services of the Group is 30 days.

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates as at the end of the reporting period:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
0 – 30 days	**29,116**	32,579
31 – 60 days	**1,146**	1,669
61 – 90 days	**4,075**	4,271
91 – 120 days	**3,955**	287
121 – 365 days	**14,750**	9,240
Over 365 days	**1,476**	108
	54,518	48,154

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. SHORT-TERM OVERDRAFTS/LONG-TERM OVERDRAFTS

During the current interim period, the Group obtained new bank loans amounting to RMB250,000,000 (six months ended 30 June 2022: RMB223,034,000) and repaid RMB223,710,000 (six months ended 30 June 2022: RMB169,534,000). The loans carry interest in the fixed and variable market rates and range from 3.15% to 5.025% and are repayable in instalments over periods range from 1 month to 36 months. The proceeds were mainly used for working capital purposes.

17. DEFERRED INCOME

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Government grants		
Conditional (Note i)	**50,300**	50,300
Assets-related grants (Note ii)	**20,000**	24,000
	70,300	74,300
Less: current portion	**(8,000)**	(8,000)
Non-current portion	**62,300**	66,300

Notes:

i The deferred income represents the government grant received from the local government to support the business operations of the Group. They are conditional upon meeting specific requirements based on the relevant grant documents. The Group received government grants with total amount of RMB50,300,000 but not yet recognized as other income, which is expected to be recognised when the relevant conditions fulfilled.

ii The asset-related grants are the subsidies received from the government for the purpose of compensation for purchase of the Group's property, plant and equipment. Amortisation of RMB4,000,000 was recognized in profit or loss in the current period.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. SHARE CAPITAL

	Number of ordinary shares	Amount US$'000
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorised		
At 1 January 2022(Audited), 31 December 2022(Audited) and 30 June 2023(Unaudited)	10,000,000,000	1,000

	Number of shares	Amount US$'000	Equivalent Amount of ordinary shares RMB'000
Issue and fully paid			
At 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	445,331,917	45	291
At 1 January 2023 (Audited)	419,919,652	42	272
Issuance of ordinary shares in relation to exercise of share options	96,718	–*	–*
Cancellation of shares repurchased (Note ii)	(1,040,500)	–*	(1)
Issuance of shares hold on trust (Note iii)	6,505,520	1	4
At 30 June 2023 (Unaudited)	425,481,390	43	275

* Amount is less than US$1,000 or RMB1,000.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. SHARE CAPITAL *(Continued)*

The details of the treasury shares held in trust are set out as below:

	Number of treasury shares	Amount US$'000	Shown in the condensed consolidated statement of financial position as RMB'000
At 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	10,136,230	1	7
At 1 January 2023 (Audited)	12,122,730	1	9
Shares repurchased (Note i)	1,040,000	666	4,680
Cancellation of shares repurchased (Note ii)	(1,040,500)	(666)	(4,682)
Issuance of shares hold on trust (Note iii)	6,505,520	–*	4
At 30 June 2023 (Unaudited)	18,627,750	1	11

* *Amount is less than US$1,000 or RMB1,000.*

Notes:

i During the interim period, the Company repurchased 1,040,000 shares, at average price of RMB4.50, total RMB4,680,000.

ii During the interim period, the Company cancelled 1,040,500 shares.

iii On 2 February 2023 and 25 April 2023, the Company issued 5,035,160 and 1,470,360 ordinary shares, respectively, to Success Connect Trust to hold on behalf of future participants of the Post-IPO Share Award Scheme of the Company.

19. SHARE-BASED PAYMENT TRANSACTIONS

a) *Pre-IPO Equity Incentive Plan*

The Transcenta Holding Limited 2019 Equity Incentive Plan ("Pre-IPO Equity Incentive Plan") was effective since 1 January 2019. The purpose of the Pre-IPO Equity Incentive Plan was to provide incentives to employees, directors, senior management and consultants in order to promote the success of the business of the Company.

Under the Pre-IPO Equity Incentive Plan, the board of directors may grant share options or restricted share units to eligible employees, directors, senior management and consultants. The maximum number of shares which may be issued pursuant to all awards granted under the Pre-IPO Equity Incentive Plan is 69,325,254, subject to any adjustments to reflect any share dividends, share splits, or similar transactions. The Pre-IPO Equity Incentive Plan will expire on its 10th anniversary.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

a) *Pre-IPO Equity Incentive Plan (Continued)*

Set out below are details of the movements of the outstanding restricted share units/share options granted under the Pre-IPO Equity Incentive Plan during the period:

	Number of restricted share units/share options			
	Directors and Senior Management of the Company	**Consultants**	**Employees**	**Weighted average exercise price**
	'000	'000	'000	US$
At 1 January 2023	3,225	1,740	12,804	0.54
Granted during the period	4,400	–	–	–*
Forfeited during the period	–	(995)	(643)	0.39
Exercised/vested during the period	(850)	–	(294)	0.05
At 30 June 2023 (unaudited)	6,775	745	11,867	0.46

* *Amount is less than US$0.01.*

The vesting schedule for the new grant restricted share units is over three years in three equal yearly instalments from the vesting commencement date as stipulated in respective grant notices.

In the current interim period, 4,400,000 restricted share units were granted. The following inputs were used to calculate the fair values of restricted share units at the date of grant:

Exercise price	US$0.001
Expected life	10 years
Expected volatility	72.5%
Expected dividend yield	0%
Risk-free interest rate	3.93%

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

b) Post-IPO Share Award Scheme

On 18 June 2021, the Company adopted a post-IPO share award scheme (the"Post-IPO Share Award Scheme"). Under the Post-IPO Share Award Scheme, the board of directors may grant restricted share units/share options to eligible employees, directors, senior management and consultants. The maximum number of shares which may be issued pursuant to all awards granted under the Post-IPO Share Award Scheme is 42,403,891.

Set out below are details of the movements of the outstanding restricted share units/share options granted under the Post-IPO Share Award Scheme during the period:

	Number of restricted share units/share options		
	Directors and Senior Management of the Company '000	Employees '000	Weighted average exercise price US$
At 1 January 2023	11,147	6,319	0.27
Granted during the period	15,000	460	0.22
Forfeited during the period	–	(376)	0.30
At 30 June 2023 (unaudited)	26,147	6,403	0.24

The vesting schedule for the new grant restricted share units/share options is over three years in three equal yearly instalments from the vesting commencement date as stipulated in respective grant notices.

In the current interim period, 15,460,000 restricted share units/share options were granted. The following inputs were used to calculate the fair values of restricted share units/share options at the dates of grant:

Exercise price	US$0.000 – US$0.3853
Expected life	10 years
Expected volatility	72.48% – 73.27%
Expected dividend yield	0%
Risk-free interest rate	3.1490% – 3.9300%

The fair values of the new granted restricted share units and share options range from US$0.1016 to US$0.3418.

As at 30 June 2023, total 20,036,000 restricted share units/share options are exercisable (31 December 2022: 15,532,000 restricted share units/share options).

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

b) Post-IPO Share Award Scheme (Continued)

The Group recognized the total expense of RMB13,337,000 (unaudited) and RMB5,976,000 (unaudited) for the six months ended 30 June 2023 and 2022, respectively, in relation to restricted share units/share options granted by the Company.

20. RELATED PARTY TRANSACTIONS

Save for disclosed in elsewhere of the condensed consolidated financial statements, the Group has the following transaction and balance with related parties during the period.

		At	At	**Six months ended 30 June**	
Relationship	**Nature of transaction/balance**	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)	**2023 RMB'000 (Unaudited)**	2022 RMB'000 (Unaudited)
A joint venture	Provision of research and development services	**–**	–	**–**	4,556
	Trade receivables	**10,814**	10,814	**–**	–
Directors and senior management	Interest income from promissory note	**–**	–	**–**	111
	Loss arising on revision of interest rate of promissory note	**–**	–	**–**	2,863

Compensation of key management personnel

The remuneration of key management of the Group during the reporting period were as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short term benefits	**8,930**	10,564
Post-employment benefits	**1,159**	1,254
Share-based payments	**9,679**	2,778
Discretionary bonus	**3,882**	3,119
	23,650	17,715

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

21. CAPITAL COMMITMENT

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements – Property, plant and equipment	**54,874**	60,017

Definitions

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Award(s)"	the grant of Award Shares to the Eligible Persons in accordance with the terms of the Share Incentive Scheme
"Award Shares"	the Shares granted under the Share Incentive Scheme
"Board" or "Board of Directors"	the board of Directors of our Company
"CDMO"	contract development and manufacturing organization
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules (as amended from time to time)
"China" or the "PRC"	the People's Republic of China, and for the purpose of this report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CMC"	chemistry, manufacturing and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"Company", "our Company" or "the Company"	Transcenta Holding Limited (創勝集團醫藥有限公司) (formerly named Mabspace International Limited), a limited liability company incorporated under the laws of the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability under the laws of Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of our Company

Definitions

"Dr. Qian"	Dr. Xueming Qian, an executive Director and the Chief Executive Officer of the Company
"Eli Lilly"	Eli Lilly and Company, a U.S. company, organised and existing under the laws of the State of Indiana on January 17, 1901, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285
"Equity Plans"	the Pre-IPO Equity Incentive Plan and the Share Incentive Scheme
"FDA"	U.S. Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus
"GMP"	Good Manufacturing Practice, a system for ensuring that products are consistently produced and controlled according to quality standards. It is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"Latest Practicable Date"	September 5, 2023, being the latest practicable date for ascertaining certain information in this interim report before its publication

Definitions

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	September 29, 2021, the date on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NMPA"	National Medical Products Administration of China (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), the State Food and Drug Administration (國家食品藥品監督管理局), and the State Drug Administration (國家藥品監督管理局)
"Option(s)"	a right granted to subscribe for Share(s) pursuant to the Share Incentive Scheme
"Pre-IPO Equity Incentive Plan"	the employee equity plan approved and adopted by our Company, effective from January 1, 2019 and subsequently terminated by the Board on May 31, 2023
"Pre-IPO Option(s)"	a right granted to subscribe for Share(s) pursuant to the Pre-IPO Equity Incentive Plan
"Prospectus"	the prospectus of the Company dated September 14, 2021
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RSU(s)"	restricted share unit(s) granted pursuant to the Pre-IPO Equity Incentive Plan

Definitions

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company, currently with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Share Incentive Scheme"	the Post-IPO Share Award Scheme approved and adopted by the Company on June 18, 2021, amended and renamed as the Share Incentive Scheme on November 4, 2022 (as amended from time to time in accordance with the Scheme Rules)
"Share Incentive Scheme Limit"	44,551,933, the 10.0% of the total issued and outstanding Shares under Share Incentive Scheme as at November 4, 2022
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Success Link"	Success Link International L.P., an exempted limited partnership established for the benefit of the certain participants of Pre-IPO Equity Incentive Plan
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$"	United States dollars, the lawful currency of the United States
"%"	per cent