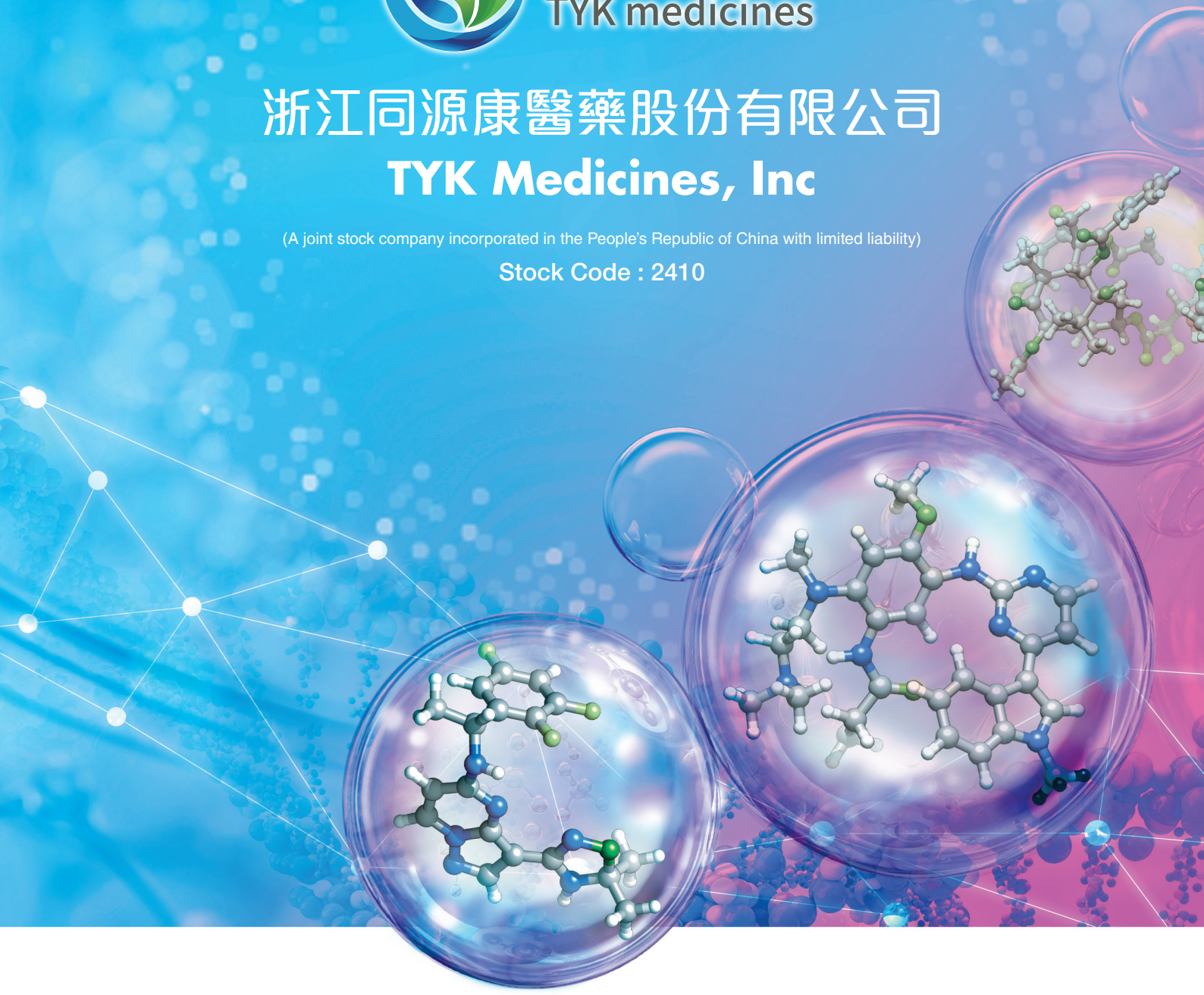
同源康醫藥
TYK medicines

浙江同源康醫藥股份有限公司
TYK Medicines, Inc

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2410



2024
INTERIM REPORT

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DEFINITIONS

"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Changxing Caiyuan"	Changxing Caiyuan Enterprise Management Partnership (Limited Partnership)* (長興彩源企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on July 19, 2023, one of our ESOP Platforms and one of our Controlling Shareholders
"Changxing Gangyuan"	Changxing Gangyuan Enterprise Management Partnership (Limited Partnership)* (長興罡源企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on July 18, 2023, one of our ESOP Platforms and one of our Controlling Shareholders
"Changxing Liyuan"	Changxing Liyuan Enterprise Management Partnership (Limited Partnership)* (長興利源企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 29, 2018 and one of the Controlling Shareholders
"China" or "PRC"	the People's Republic of China excluding, for the purposes of this interim report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company" or "our Company"	TYK Medicines, Inc* (浙江同源康醫藥股份有限公司), a joint stock company incorporated in the PRC with limited liability on November 2, 2017
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Wu, Ms. Zhu, Tetranov Pharmaceutical, Zhengzhou Derui, Huzhou Derui, Zhengzhou Hongnuo, Tetranov International Inc, Changxing Liyuan, Changxing Caiyuan and Changxing Gangyuan
"Core Product"	has the meaning ascribed thereto under Chapter 18A of the Listing Rules and in this context, refers to TY-9591
"Director(s)"	the director(s) of the Company
"Dr. Wu"	Dr. WU Yusheng (吳豫生), the chairperson of our Board, our executive Director, chief executive officer and one of our Controlling Shareholders
"EGFR"	epidermal growth factor receptor
"Employee Incentive Scheme"	the employee equity incentive scheme of our Company which was adopted on May 19, 2023
"ESOP Platforms"	Changxing Caiyuan and Changxing Gangyuan
"FDA"	the United States Food and Drug Administration
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant

"Global Offering"	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
"Group", "our Group", "our", "we", or "us"	the Company and its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"H Share(s)"	ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huzhou Derui"	Huzhou Derui Medical Technology Co., Ltd.* (湖州德瑞醫藥科技有限公司), a company incorporated in the PRC with limited liability on March 3, 2020 and one of our Controlling Shareholders
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IND"	investigational new drug or investigational new drug application
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	August 20, 2024, on which the H Shares were listed and dealings in the H Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Ms. Zhu"	Ms. ZHU Ming Julia, spouse of Dr. Wu and one of our Controlling Shareholders
"Nomination Committee"	the nomination committee of the Board
"NDA"	new drug application
"NMPA"	National Medical Products Administration of China
"NSCLC"	non-small cell lung cancer
"Prospectus"	Prospectus of the Company dated August 12, 2024
"R&D"	research and development

"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the six months ended June 30, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of RMB1.00, comprising Unlisted Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Scientific Committee"	the scientific committee of the Board
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Tetranov Pharmaceutical"	Tetranov Pharmaceutical (Zhengzhou) Co., Ltd.* (鄭州泰基鴻諾醫藥股份有限公司) (formerly known as Tetranov Pharmaceutical Technology (Zhengzhou) Co., Limited* (鄭州泰基鴻諾藥物科技有限公司)), a company incorporated in the PRC with limited liability on November 26, 2007 and one of the Controlling Shareholders
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Unlisted Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each and are not listed or traded on any stock exchange
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Zhengzhou Derui"	Zhengzhou Derui Medical Technology Co., Ltd.* (鄭州德瑞醫藥科技有限公司), a company incorporated in the PRC with limited liability on December 20, 2017 and one of our Controlling Shareholders
"Zhengzhou Hongnuo"	Zhengzhou Hongnuo Enterprise Management Consulting Center (Limited Partnership)* (鄭州鴻諾企業管理諮詢中心(有限合夥)), a limited partnership established in the PRC on April 26, 2016 and one of our Controlling Shareholders
"%"	per cent

* *For identification purpose only*

CORPORATE INFORMATION

Directors

Executive Directors:

Dr. WU Yusheng (吳豫生)
(Chairman of the Board and Chief Executive Officer)
Dr. JIANG Mingyu (蔣鳴昱)

Non-executive Directors:

Dr. LI Jun (李鈞)
Dr. GU Eric Hong (顧虹)
Dr. MENG Xiaoying (孟曉英)
Mr. HE Chao (何超)
Dr. DING Zhao (丁兆)

Independent Non-executive Directors:

Mr. ZHANG Senquan (張森泉)
Dr. LENG Yuting (冷瑜婷)
Dr. XU Wenqing (許文青)
Dr. SHEN Xiuhua (沈秀華)

Supervisors

Dr. NIU Chengshan (牛成山)
Dr. LIANG Apeng (梁阿朋)
Ms. SHANG Jing (尚靜)

Audit Committee

Mr. ZHANG Senquan (張森泉) *(Chairperson)*
Dr. LI Jun (李鈞)
Dr. LENG Yuting (冷瑜婷)

Remuneration and Appraisal Committee

Dr. LENG Yuting (冷瑜婷) *(Chairperson)*
Dr. WU Yusheng (吳豫生)
Mr. ZHANG Senquan (張森泉)

Nomination Committee

Dr. WU Yusheng (吳豫生) *(Chairperson)*
Mr. ZHANG Senquan (張森泉)
Dr. LENG Yuting (冷瑜婷)

Scientific Committee

Dr. WU Yusheng (吳豫生) *(Chairperson)*
Dr. LI Jun (李鈞)
Dr. XU Wenqing (許文青)

Joint Company Secretaries

Dr. JIANG Mingyu (蔣鳴昱)
Ms. WONG Wing Yee (黃詠儀)
(Associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)

Authorized Representatives	Dr. JIANG Mingyu (蔣鳴昱) Ms. WONG Wing Yee (黃詠儀) *(Associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*
Registered Office and Headquarter	Room 1403-2, Floor 14, Tower A Changxing World Trade Building No.1278 Mingzhu Road Changxing Economic Development Zone Huzhou Zhejiang Province PRC
Principal Place of Business in the PRC	8th Floor, Building T2 China Eastern Binjiang Center No.277 Longlan Road Xuhui District Shanghai PRC
Principal Place of Business in Hong Kong	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Auditor	**Ernst & Young** *Certified Public Accountants and Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Legal Advisers	*As to Hong Kong laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *As to PRC laws:* **JunHe LLP** 26/F, HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No. 1) Shanghai PRC

Compliance Adviser	**Rainbow Capital (HK) Limited** Office No. 710, 7/F Wing on House 71 Des Voeux Road Central Central Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Bankers	**China Construction Bank** **Changxing Mingzhu Sub-branch** 555 Mingzhu Road Changxing County Huzhou Zhejiang Province PRC **China CITIC Bank** **Shanghai Songjiang Sub-branch** Room 101, 1/F 1455 New Songjiang Road Songjiang District Shanghai PRC
Stock Code	2410
Company Website	www.tykmedicines.com

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,	
	2024	2023
	RMB'000 **(unaudited)**	*RMB'000* (unaudited)
Research and development costs	**(137,758)**	(119,436)
Administrative expenses	**(40,100)**	(22,176)
Total comprehensive loss for the period	**(219,533)**	(173,849)

BUSINESS HIGHLIGHTS

During the Reporting Period, we have made the following progress with respect to our product pipeline and business operations:

- ## Key developments of our Core Product TY-9591

  In March 2024, we received IND approval from the NMPA for conducting Phase II and Phase III clinical trials of TY-9591 in combination with pemetrexed and cisplatin or carboplatin as first-line treatment in advanced or metastatic NSCLC with EGFR mutations. We have not received any concerns or objections from the NMPA related to our clinical development plans as of the date of this report.

  We commenced a pivotal Phase II clinical trial of TY-9591 monotherapy as first-line treatment in brain metastases from NSCLC with EGFR mutations in August 2023. We expect to complete patient enrollment for this clinical trial in the third quarter of 2024, and submit an application to the NMPA for conditional marketing approval in the first quarter of 2025. In addition, we commenced a registrational Phase III clinical trial of TY-9591 monotherapy as first-line treatment in locally advanced or metastatic NSCLC with EGFR exon 21 L858R mutation in June 2022. We expect to complete patient enrollment for this clinical trial in the fourth quarter of 2024, and submit a NDA in the second half of 2026.

- ## Key developments of our Key Products TY-302

  We are currently conducting a Phase II clinical trial of TY-302 in breast cancer. In addition, we plan to commence a Phase II clinical trial of TY-302 in prostate cancer in the second half of 2024.

- ## Key developments of our Key Products TY-2136b

  In September 2023, we received the Orphan Drug Designation of TY-2136b for the treatment of ROS1-positive, NTRK fusion-positive, ALK-positive or LTK-positive NSCLC from the FDA. Livzon Pharmaceutical Group Inc. ("**Livzon**") is currently conducting a Phase Ib clinical trial of TY-2136b in China and we are conducting a Phase I clinical trial in the U.S. Leveraging Phase I clinical data collected both in China and the U.S., we will communicate with the FDA and carefully design our future clinical development plan of TY-2136b in the U.S.

• Key developments of our other programs

TY-2699a. We are currently conducting a Phase I clinical trial of TY-2699a monotherapy or combination therapy in locally advanced or metastatic solid tumors (especially in SCLC and TNBC) in China.

TY-0540. We are currently conducting a Phase I clinical trial of TY-0540 monotherapy or combination therapy in solid tumors in China.

TY-1091. We are currently conducting a Phase I clinical trial of TY-1091 in RET fusion-positive solid tumors in China.

TY-4028. In April 2023, TY-4028 received FDA's implied approval for conducting Phase I and Phase II clinical trials in locally advanced or metastatic NSCLC. Subsequently, it obtained NMPA approval in June 2023 for the same indication. We plan to initiate a Phase I trial of TY-4028 in NSCLC with exon 20 insertion in China in December 2024.

TY-1054. We obtained the implied approval from the FDA for conducting clinical trials of TY-1054 in solid tumors in April 2024. In addition, we submitted an IND application to the NMPA for conducting clinical trials of TY-1054 in solid tumors in April 2024, and obtained IND approval in July 2024.

• Listing on the Stock Exchange

On August 20, 2024, the Company was successfully listed on the Stock Exchange following the completion of the issue of 47,880,000 H Shares at the price of HK$12.10 per share. The total gross proceeds arising from the Global Offering amounted to approximately HK$579.3 million.

For details of any of the foregoing, please refer to the rest of this interim report and, where applicable, the Prospectus, the Company's prior announcements published on the websites of the Stock Exchange and the Company and prior press releases published on the Company's website.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

We are a clinical-stage biopharmaceutical company committed to the discovery, acquisition, development and commercialization of differentiated targeted therapies to address unmet medical needs in cancer treatment. Since our inception in 2017, we have built a pipeline with 11 drug candidates, including Core Product TY-9591, seven clinical stage products, and three preclinical stage or early clinical development stage products. We are currently conducting a pivotal Phase II clinical trial of TY-9591 monotherapy as first-line treatment of brain metastases from non-small cell lung cancer ("**NSCLC**") with epidermal growth factor receptor ("**EGFR**") mutations in China, as well as a registrational Phase III clinical trial of TY-9591 monotherapy as first-line treatment in locally advanced (stage IIIb to IV) or metastatic NSCLC with EGFR L858R mutation in China.

Products and Pipeline

The following chart shows our drug candidates as of the date of this report:

	Product[1]	Target (Modality)	Indication (Lines of Treatment)	Regimen	Preclinical / IND-Enabling / Ph I/Ia / Ph Ib/II / Registrational Pivotal Ph II/Ph III	Upcoming Milestone/ Current Status	Commercial Rights/ Partner
Clinical Stage	★ TY-9591	3rd-Generation EGFR	Brain metastases from NSCLC with EGFR mutations (1L)	Mono	*Pivotal Phase II trial ongoing in China*	NDA submission in Q1 2025	China
			Advanced (stage IIIb to IV) or metastatic NSCLC with EGFR L858R mutation (1L)	Mono	*Registrational Phase III trial ongoing in China*	NDA submission in 2H 2026	
			Advanced (stage IIIb to IV) or metastatic NSCLC with EGFR mutations	Combo	*IND approval for Phase II and Phase III trials in China*	Enter Ph II in 2H 2024	
	☆ TY-302	CDK4/6	Breast cancer (2L+)	Combo	*Phase II trial ongoing in China*	Enter Registrational Trial in Q1 2025	China
			Prostate cancer (1L)	Combo	*Phase II trial ongoing in China*	Enter Ph II in 2H 2024	
	☆ TY-2136b	ROS1/NTRK	ROS1/NTRK-mutant solid tumor	Mono	*Phase Ib study ongoing in China*	Ph Ib ongoing	Livzon (Greater China)[2]
			ROS1/NTRK-mutant NSCLC	Mono	*Phase I trial ongoing in the U.S.*	Ph I ongoing	Ex-Greater China
	TY-2699a	CDK7	SCLC, TNBC	Mono/ Combo	*Phase I trial ongoing in China*	Enter Ph Ib in Q1 2025	Global
					IND approval in the U.S.	IND approved	
	TY-0540	CDK2/4/6	Solid tumor	Mono/ Combo	*Phase I trial ongoing in China*	Enter Ph Ib in Q1 2025	Global
					IND approval in the U.S.	IND approved	
	TY-1091	RET	RET-fusion positive solid tumor	Mono	*Phase I trial ongoing in China*	Ph I ongoing	Global
					IND approval in the U.S.	IND approved	
	TY-4028	EGFR Exon 20	EGFR exon 20 insertion NSCLC	Mono	*IND approval in China*	Enter Ph I in December 2024	Global
					IND approval in the U.S.	IND approved	
	TY-1054	YAP-TEAD	Solid tumor	-	*IND approval in the U.S.*	IND approved (U.S.)	Global
					IND approval in China	IND approved (China)	
Preclinical Stage	TY-1210	CDK2	Solid tumor	-		IND submission in 2H 2025	Global
	TY-0609	CDK4	Solid tumor	-		IND submission in 2H 2025	Global
	TY-3200	EGFR (PROTAC)	NSCLC	-		IND submission in 2H 2025	Global

★ Core Product ☆ Key Product

Abbreviations: 1L = first line; 2L+ = third – or later-line; EGFR = epidermal growth factor receptor; CDK = cyclin-dependent kinase; ROS1 = ROS proto-oncogene 1; NTRK = neurotrophic tyrosine receptor kinase; RET = rearranged during transfection; YAP = yes associated protein; TEAD = transcriptional enhanced associate domain; PROTAC = proteolysis-targeting chimera; NSCLC = non-small cell lung cancer; SCLC = small cell lung cancer; TNBC = triple-negative breast cancer; Ph = Phase; NDA = new drug application; 2H = second half; Q1 = first quarter.

Notes:

(1) The relevant intellectual property rights for TY-9591 and TY-302 were acquired from Changzhou Runnuo and Guangzhou Boji, and Tetranov Pharmaceutical, respectively. We have developed these two drug candidates at our own costs since preclinical stage. Except for these two drug candidates, all other drug candidates were internally discovered and developed by us.

(2) We have out-licensed the rights to develop, manufacture and commercialize TY-2136b in the Greater China to Livzon. We maintain the rights to develop and commercialize this drug candidate in the rest of the world.

Source: Company Data

Our Products and Product Candidates

The field of cancer treatment has developed significantly in the past century. Conventionally, treatment methods such as surgery, radiotherapy, and chemotherapy have been widely utilized to fight against tumor cells, but they have been proven to be deficient due to side effects and limited efficacy. The development of targeted therapies, which target specific molecules, generally proteins, enzymes, a signaling pathway, or genetic changes that play a role in the spread of cancer, has embarked on a new era of cancer treatment with enhanced specificity and efficacy. According to Frost & Sullivan, currently, for early stage patients, the primary treatments are surgery, radiotherapy and chemotherapy. Surgery is often recommended for eligible patients, while radiotherapy and chemotherapy are often used for inoperable patients. For advanced stage patients, surgery is usually not considered due to spread of the tumor and potential metastasis. In addition to radiotherapy and chemotherapy, recommended treatments also include targeted therapy or immunotherapy. The treatments approved for different treatment lines vary depending on the cancer type. For example, for advanced NSCLC patients with driver genes such as EGFR mutations and ALK rearrangement, the first-line treatment is targeted therapy, and the second-line treatment includes targeted therapy and chemotherapy, depending on the types of resistance mutations.

As a company focused on the development of small molecule targeted therapies for cancer treatment, we have built a pipeline with 11 drug candidates. An introduction to these products is listed below:

Core Product TY-9591 — A Third-Generation EGFR-TKI

TY-9591 is a third-generation EGFR-tyrosine kinase inhibitor ("**TKI**") with antitumor effects on EGFR mutations. It can irreversibly bind to certain EGFR mutants including exon 21 L858R mutation, exon 19 deletion, L858R/T790M mutation, and exon 19 deletion/T790M mutation, and thus inhibit the downstream signaling cascade, such as Ras/Raf/MEK/ERK or phosphoinositide 3-kinase ("**PI3K**")/ protein kinase B ("**AKT**") pathway, ultimately inhibiting the proliferation and metastasis of cancer cells. TY-9591 was developed through modifications of osimertinib to enhance its safety, allowing for a higher administration dosage and thus, potentially, improved efficacy. Specifically, TY-9591 was modified by replacing certain hydrogens in osimertinib with deuterium to reduce or slow down the breakdown of osimertinib. Such modification may retain the advantages of osimertinib, but also affect the way that osimertinib is metabolized, which may reduce the formation of the metabolite TY-9591-D1 (AZ5104). Based on preclinical studies, TY-9591-D1 (AZ5104) is showed to have much higher affinity to normal cells that express EGFR without mutations, and thus is the major cause of adverse events ("**AEs**") of TY-9591 and osimertinib. By reducing the production of TY-9591-D1, TY-9591 is expected to be safer than osimertinib and can be administered at a higher dose level, leading to improved antitumor efficacy and a higher level of blood-brain entry. In a Phase I clinical trial in healthy subjects, we investigated the mean drug metabolite concentration-time profiles after a single oral dose of 80 mg TY-9591 and osimertinib in healthy subjects. Compared to osimertinib, the results showed an approximately 50% reduction in metabolite TY-9591-D1 exposure levels after TY-9591 administration, indicating that TY-9591 may have an improved safety profile than osimertinib. In addition, although not a head-to-head comparison, clinical data from our Phase Ib study showed that TY-9591 has demonstrated promising efficacy and safety profile with the median PFS of 21.5 months, confirmed objective response rate ("**ORR**") of 85.9% and confirmed disease control rate ("**DCR**") of 94.9% in NSCLC patients with EGFR mutations (L858R/exon 19 deletion).

We are currently investigating TY-9591 in brain metastases from NSCLC with EGFR mutations and in locally advanced (stage IIIb to IV) or metastatic NSCLC with EGFR L858R mutation. While there are a number of third-generation EGFR-TKIs approved for sale in China and worldwide, no drug has been approved and marketed for brain metastases from NSCLC, demonstrating urgent unmet clinical needs. Results from our Phase Ib and Phase II clinical studies of TY-9591 monotherapy in advanced NSCLC have demonstrated a strong clinical efficacy. Among 29 evaluable NSCLC treatment-naïve patients with brain metastases enrolled in these studies, we observed that 25 patients reached intracranial partial response ("**PR**") and four reached complete response ("**CR**"), with an intracranial ORR of 100%. Although not a head-to-head comparison, this outcome outperformed the confirmed 77% intracranial ORR observed in NSCLC brain metastases patients treated by osimertinib in the Phase III FLAURA trial. In the Phase II study, we observed that the overall incidence of serious adverse events ("**SAEs**") was only 8.3% and treatment-related SAEs was as low as 8.3%, demonstrating a favorable safety profile.

Furthermore, TY-9591 may deliver improved efficacy compared to osimertinib in NSCLC patients with the EGFR L858R mutation. Osimertinib exhibited a median progression-free survival ("**PFS**") of 18.9 months for both EGFR exon 19 deletion and L858R mutation. However, NSCLC patients with EGFR L858R mutation showed significantly shorter PFS of 14.4 months compared to 21.4 months PFS observed in EGFR exon 19 deletion cases, according to the Phase III FLAURA study. Therefore, there exists an unmet clinical need to enhance the clinical outcomes for NSCLC patients with EGFR L858R mutation. Clinical data from our Phase Ib study showed that among NSCLC patients with EGFR L858R mutation, first-line TY-9591 treatment achieved a significantly prolonged median PFS comparing to osimertinib treatment in the Phase III FLAURA trial (19.3 months in 36 patients vs. 14.4 months in 104 patients) based on a non-head-to-head comparison. Since the PFS data for NSCLC patients with EGFR L858R mutation from the FLAURA China cohort is not publicly available, and the efficacy data from the FLAURA global cohort is generally better than that of the China cohort, we compared our clinical results with the data for NSCLC patients with EGFR L858R mutation from the FLAURA global cohort.

We are currently conducting a pivotal Phase II clinical trial of TY-9591 monotherapy as first – line treatment in brain metastases from NSCLC with EGFR mutations in China, for which we expect to complete patient enrollment in the third quarter of 2024. In addition, we are conducting a registrational Phase III clinical trial of TY-9591 monotherapy as first-line treatment in locally advanced (stage IIIb to IV) or metastatic NSCLC with EGFR L858R mutation in China, for which we expect to complete patient enrollment in the fourth quarter of 2024. According to Frost & Sullivan, TY-9591 is the only EGFR-TKI worldwide that is currently undergoing a head-to-head registrational trial directly comparing its efficacy with osimertinib. To fully explore the potential of TY-9591, we also applied for and received IND approval for conducting Phase II and Phase III clinical trials of TY-9591 in combination with pemetrexed and cisplatin or carboplatin as first-line treatment in advanced or metastatic NSCLC with EGFR mutations in March 2024, and expect to commence a Phase II trial in the second half of 2024.

Addressable Markets and Competitive Landscape

NSCLC is any type of epithelial lung cancer other than small cell lung cancer ("**SCLC**"), accounting for 85% of lung cancer. According to Frost & Sullivan, among all NSCLC patients, EGFR mutation predominantly constitutes 50.2% in China in 2023. Among them, exon 19 deletion and exon 21 L858R mutation account for 85% of EGFR mutations, with exon 19 deletion contributing 44.8% and exon 21 L858R contributing 39.8% to the overall EGFR mutation profile. The EGFR-TKI market focusing on exon 21 L858R mutation increased from RMB1.4 billion in 2017 to RMB5.6 billion in 2023, representing a compound annual growth rate ("**CAGR**") of 26.2%, and is projected to further grow to RMB11.9 billion in 2033 with a CAGR of 7.8% from 2023 to 2033. Upon approval of the third-generation EGFR-TKIs for marketing, these drugs rapidly occupied the market with the majority of NSCLC patients with EGFR mutations undergoing treatment with them, leading to a surge in the market size during 2017 to 2023. As market penetration slows down and the prices of third-generation EGFR-TKIs are expected to remain relatively stable, the market size is projected to grow steadily during 2023 to 2033.

Brain metastases occur when cancer cells spread from their original site to the brain. Lung cancer is among the cancer types that most likely cause brain metastases. The annual incidence of lung cancer in China is 1,015.5 thousand in 2023 and the incidence of brain metastases in patients with advanced NSCLC can be nearly 25% at diagnosis, approximately 30% to 55% of NSCLC patients develop brain metastases during treatment. From 2017 to 2023, the number of new patients with brain metastases from lung cancer in China increased from 137.6 thousand to 166.3 thousand, and is estimated to reach 218.0 thousand in 2033. The natural average survival of NSCLC patients with brain metastases, i.e. the average survival period for NSCLC patients with brain metastases without any treatment, is only one to two months, and the prognosis is poor, which seriously jeopardizes patients' lives and quality of life.

The last three columns of the table below set forth a summary of the targeted patient population of TY-9591 by indications:

	Lung Cancer	NSCLC	NSCLC with EGFR Mutations	Advanced or Metastatic NSCLC with EGFR Mutations	Brain Metastases from NSCLC with EGFR Mutations	Advanced or Metastatic NSCLC with EGFR L858R Mutation
Patient Population (in 2023 in China)	1,015.5 thousand	863.2 thousand	433.3 thousand	201.9 thousand	112.9 thousand	80.4 thousand
Patient Percentage	100%	Approximately 85% of all lung cancer patients	Approximately 50.2% of all NSCLCs patients	Approximately 46.6% of all NSCLC patients with EGFR mutations**	Approximately 47.5% to 66.3% of all advanced or metastatic NSCLCs patients*	Approximately 39.8% of all NSCLC patients with EGFR mutations

Notes:

* According to Frost & Sullivan, specific data for brain metastases in NSCLC patients with EGFR mutations is not available. However, it is believed that percentage of NSCLC patients with brain metastases may also apply to brain metastases in NSCLC patients with EGFR mutations as there is no reliable evidence of a significant discrepancy.

** According to the Treatment Guidelines for Stage IV Primary Lung Cancer in China (2023), about 46.6% of patients are diagnosed with stage IIIb to IV at the time of initial diagnosis. However, according to interviews with industry experts, approximately 50% are stage IV patients, as disclosed in the "Industry Overview." There is a gap between literature statistics and empirical data.

Source: Frost & Sullivan Analysis

As of June 30, 2024, there were six third-generation EGFR-TKIs approved for NSCLC with EGFR exon 19 deletion, exon 21 L858R and exon 20 T790M in China, and only befotertinib, furmonertinib, almonertinib, and osimertinib were approved as first-line treatment. None of these drugs were indicated for brain metastases from lung cancer. The third-generation EGFR-TKI market is highly competitive. The tables below illustrate the efficacy and the competitive landscape of marketed third-generation EGFR-TKIs for NSCLC in China:

Efficacy of EGFR-TKIs Approved by the NMPA

Drug Name	Brand Name	Target	Generation	Company	Indications	mPFS (month)			Line	Approval Date	2023 Global Sales (million USD)
						Ex19del	L858R	Overall			
Rilertinib	Sanrisso	EGFR	3rd-generation	Sanhome Pharmaceutical	NSCLC	13.8	9.7	12.6	2nd line	2024-06-17	NA
Rezivertinib	Undisclosed	EGFR	3rd-generation	Betta Pharma	NSCLC	12.4	10.3	12.2	2nd line	2024-05-20	NA
Befotertinib	Surmana	EGFR	3rd-generation	Betta Pharma	NSCLC	NE	17.9	22.1	1st line	2023-10-12	Undisclosed
Furmonertinib	Ivesa	EGFR	3rd-generation	Allist Pharmaceutical	NSCLC	20.8	13.4	19.3	1st line	2022-06-28	274.0
Almonertinib	Ameile	EGFR	3rd-generation	Hansoh Pharma	NSCLC	Undisclosed		20.8	1st line	2021-12-16	Undisclosed
Osimertinib	Tagrisso	EGFR	3rd-generation	Astrazeneca	NSCLC	21.6	14.2	18.9	1st line	2019-08-30	5,799

Abbreviation: NE = not evaluated.

Source: NMPA, Frost & Sullivan Analysis

Competitive Landscape of EGFR-TKIs Approved by the NMPA

Drug Name	Brand Name	Target	Mutation Subtype	Monotherapy or Combined Therapy	Whether enter the NRDL	End User Price (RMB/box)	Treatment Cost (RMB/month)
Rilertinib	Sanrisso	EGFR	T790M	Monotherapy	No	NA	NA
Rezivertinib	Undisclosed	EGFR	T790M	Monotherapy	No	NA	NA
Befotertinib	Surmana	EGFR	Ex19del, L858R, T790M	Monotherapy	Yes	2,862.4	8,587.2
Furmonertinib	Ivesa	EGFR	Ex19del, L858R, T790M	Monotherapy	Yes	2,494.5	4,989.0
Almonertinib	Ameile	EGFR	Ex19del, L858R, T790M	Monotherapy	Yes	2,016.0	5,345.4
Osimertinib	Tagrisso	EGFR	Ex19del, L858R, T790M	Monotherapy	Yes	4,966.2	4,966.2

Source: NMPA, Frost & Sullivan Analysis

As of June 30, 2024, nine third-generation EGFR-TKI candidates were in clinical development for NSCLC and two of them were indicated for NSCLC with brain metastases, among which TY-9591 was the most clinically advanced EGFR-TKI candidate. The table below illustrates the competitive landscape of clinical-stage third-generation EGFR-TKIs for NSCLC in China:

Drug Name/Code	Target	Mutation Subtype	Company	Control	Clinical Stage	Indications	First Posted Date
TY-9591	**EGFR**	**L858R**	**TYK Medicines, Inc**	**Osimertinib**	**III**	**NSCLC**	**2022-05-19**
		Ex19del, L858R, T790M			**II (Pivotal)**	**NSCLC with Brain metastases**	**2021-11-16**
Abivertinib	BTK, EGFR	Ex19del, L858R, T790M	Sorrento/Essen Pharmaceutical	Gefitinib	III	NSCLC	2019-04-09
FHND9041	EGFR	Ex19del, L858R, T790M	Chia Tai Fenghai Pharmaceutical	Afatinib	III	NSCLC	2021-08-31
Limertinib	EGFR	Ex19del, L858R, T790M	Aosaikang Pharmaceutical	Gefitinib	III	NSCLC	2019-08-29
Kenitinib	EGFR	Ex19del, L858R	Suzhou Teligene	NA	II	NSCLC with Brain metastases	2020-05-12
TQB3456	EGFR	Ex19del, L858R, T790M	Chia Tai-tianqing Pharmaceutical	NA	I	NSCLC	2018-08-31
QLH11811	EGFR	Ex19del, L858R, T790M	Qilu Pharmaceuticals	NA	I	NSCLC	2022-09-22
YZJ-0318	EGFR	Ex19del, L858R, T790M	Yangtze River Pharmaceutical	NA	I	NSCLC	2018-01-28
DZD6008	EGFR	Ex19del, L858R, T790M	Dizal Pharma	NA	I	NSCLC	2024-05-24

Source: CDE, Frost & Sullivan Analysis

TY-302

TY-302 is a potent, selective oral cyclin-dependent kinase 4/6 ("**CDK4/6**") inhibitor developed for the treatment of advanced solid tumors, including breast cancer and prostate cancer. Targeting CDK4/6, a key cell cycle regulator, TY-302 suppresses the phosphorylation of the retinoblastoma protein ("**Rb**"), preventing proliferation of cancer cells. TY-302 was modified by H/D exchange of palbociclib, the best-selling CDK4/6 inhibitor in the world. Based on the preliminary safety data collected through our current Phase I/II clinical trial, TY-302 achieved an improved safety profile in respect of AEs in general, especially AEs related to infectious disease, skin and subcutaneous tissue and GI system, based on a non-head-to-head comparison. In addition, TY-302 has achieved encouraging efficacy in breast cancer. We observed that TY-302 achieved a DCR of 71.4% in 14 recruited breast cancer patients who had failed prior two or more lines of treatments. We expect to further investigate the combination therapy of TY-302 with toremifene in third – or later-line estrogen receptor positive ("**ER+**")/human epidermal growth factor receptor 2-negative ("**HER2−**") breast cancer that has progressed after second-line endocrine therapy. In addition, we plan to commence a Phase II clinical trial of TY-302 in prostate cancer in the second half of 2024, exploring TY-302 in combination with abiraterone for the treatment of metastatic castration – resistant prostate cancer ("**mCRPC**"), which is an advanced prostate cancer that is challenging to treat with no responding to the standard of care treatment, endocrine therapy.

Breast cancer is the most common cancer in women, and its incidence rises with age, increasing year by year as women age. The number of new breast cancer cases in China increased from 315.2 thousand in 2017 to 345.5 thousand in 2023, and is projected to reach 376.9 thousand in 2033. ER+/HER2– breast cancer is the most common breast cancer subtype, representing approximately 70% of patients.

Prostate cancer is an epithelial malignant tumor that occurs in the prostate. It is the most common malignant tumor of the male genitourinary system. The number of new cases of prostate cancer in China grew from 97.3 thousand in 2017 to 132.7 thousand in 2023. This number is expected to continue to grow and reach 189.1 thousand in 2033. Almost all advanced prostate cancer patients, after undergoing hormonal therapy, will eventually progress to CRPC, with mCRPC being the primary cause of patient death. The main goal for treating mCRPC is to control symptoms and slow progress.

As of June 30, 2024, there were five cyclin-dependent kinase ("**CDK**") inhibitors approved and marketed globally, namely, palbociclib, abemaciclib, dalpiciclib, trilaciclib and ribociclib, all of which targeted CDK4/6. Among these, four were approved for combination use with endocrine therapy. The global CDK4/6 inhibitors market has grown from US$3.2 billion in 2017 to US$10.7 billion in 2023 at a CAGR of 22.2%. With an increasing number of CDK4/6 inhibitors coming to market, the market size will continue to expand in the future, and the global CDK4/6 inhibitors market is expected to reach approximately US$16.1 billion and US$26.2 billion in 2027 and 2033, respectively, with a CAGR of 10.6% from 2023 to 2027 and at a CAGR of 8.5% from 2027 to 2033.

As of June 30, 2024, there were 26 CDK inhibitor candidates under development in China, among which TY-302 was the only CDK4/6 inhibitor indicated for prostate cancer.

TY-2136b

TY-2136b is an internally developed, oral ROS proto-oncogene 1 ("**ROS1**")/neurotrophic tyrosine receptor kinase ("**NTRK**") inhibitor for the treatment of solid tumors. It was designed to efficiently bind with the active kinase conformation and avoid steric interference from a variety of clinically resistant mutations. The compact structure is believed to allow TY-2136b to precisely and efficiently bind into the adenosine triphosphate ("**ATP**") binding pocket of the kinase, and potentially circumvent the steric interference that results in resistance to bulkier kinase inhibitors. Our current primary focus lies on NSCLC with ROS1 or NTRK mutation, a demographic estimated to reach 56.2 thousand new cases worldwide in 2033, according to Frost & Sullivan.

TY-2136b has demonstrated encouraging safety profile in preclinical studies. Also according to our preclinical data, TY-2136b is not only effective against ROS1/NTRK oncogenic gene mutations, but also exhibits high selectivity of ROS1 and NTRK mutations such as ROS1 G2032R mutation and NTRK G595R, which commonly contribute to resistance against existing ROS1/NTRK drugs. Specifically, despite its targeting multiple mutations, TY-2136b does not interfere with JAK/STAT signaling pathway, inhibit Ba/F3 cells overexpressing ABL1 (H396P) mutant kinase, or disrupt SRC kinase activity. In addition, its preliminary efficacy against ROS1 and NTRK mutations has been demonstrated across multiple animal models, showcasing its potential to address drug resistance against existing ROS1/NTRK drugs. As a result, the FDA has granted Orphan Drug Designation to TY-2136b for the treatment of ROS1-positive, NTRK fusion-positive, anaplastic lymphoma kinase ("**ALK**")-positive or leukocyte receptor tyrosine kinase ("**LTK**")-positive NSCLC. Furthermore, its potential has been recognized and endorsed by Livzon and we have out-licensed the Greater China rights of TY-2136b to Livzon.

Livzon is currently conducting a Phase Ib clinical trial of TY-2136b in China under IND approval from the NMPA obtained in February 2022 and we are conducting a Phase I clinical trial in the U.S. under FDA's implied IND approval obtained in November 2021. Leveraging Phase I clinical data collected both in China and the U.S., we will communicate with the FDA and carefully design our future clinical development plan of TY-2136b in the U.S.

Addressable Markets and Competitive Landscape

According to Frost & Sullivan, the global ROS1/NTRK-TKI market grew from US$70.7 million in 2017 to US$332.0 million in 2023, reflecting a CAGR of 29.4%. The global ROS1/NTRK-TKI market is forecasted to reach US$602.0 million in 2027 and ultimately to US$1,052.9 million in 2033, representing a CAGR of 16.0% from 2023 to 2027 and a CAGR of 9.8% from 2027 to 2033. The ROS1/NTRK-TKI market in China has developed at a faster pace, increasing from RMB15.7 million in 2017 to RMB252.6 million in 2023, demonstrating a CAGR of 58.8%. The ROS1/NTRK-TKI market in China is projected to further grow to RMB514.2 million in 2027 and RMB860.5 million in 2033, with a CAGR of 19.4% from 2023 to 2027 and a CAGR of 9.0% from 2027 to 2033.

In China, ROS1 mutation accounts for approximately 1.5% of all NSCLC patients, while NTRK mutation accounts for approximately 1.0% of all NSCLC patients. From 2017 to 2023, the number of new cases of NSCLC with ROS1 or NTRK mutation worldwide increased from 36.8 thousand to 43.3 thousand, representing a CAGR of 2.7%. It is estimated that the number of new patients of NSCLC with ROS1 or NTRK mutation worldwide will reach 56.2 thousand in 2033. From 2017 to 2023, the number of new cases of NSCLC with ROS1 or NTRK mutation in China increased from 17.9 thousand to 21.6 thousand, representing a CAGR of 3.2%. It is estimated that the number of new cases of NSCLC with ROS1 or NTRK mutation in China will reach 28.3 thousand in 2033.

As of June 30, 2024, four ROS1/NTRK-TKIs had secured approval from the FDA, including entrectinib by Roche, crizotinib by Pfizer, repotrectinib by BMS, and larotrectinib by Bayer, and there were five ROS1/NTRK-TKIs that secured approval from the NMPA. As of June 30, 2024, there were 29 ROS1/NTRK-TKI candidates under clinical development globally. Among them, there were four candidates that simultaneously target both ROS1 and NTRK with the most clinically advanced candidate in the Phase II clinical stage.

Other Pipeline Products

Our clinical products include the followings:

- TY-2699a is a selective CDK7 inhibitor designed for the treatment of advanced/metastatic solid tumors. Our preclinical studies showed that TY-2699a potentially has improved safety window with blood-brain barrier penetration capability. TY-2699a received implied IND approval from the FDA and IND approval from the NMPA in February 2023 and May 2023, respectively. We are currently conducting a Phase I clinical trial of TY-2699a monotherapy or combination therapy in locally advanced or metastatic solid tumors (especially in SCLC and triple-negative breast cancer ("**TNBC**")) in China. We expect to commence Phase Ib clinical trial in the first quarter of 2025.

- TY-0540 is a selective CDK2/4/6 inhibitor intended for the treatment of advanced/metastatic solid tumors. Despite the transformative impact of CDK4/6 inhibitors on HR+/HER2– breast cancer treatment, significant challenges persist, notably primary and acquired resistance. According to Frost & Sullivan, approximately 20% of patients exhibit primary resistance to CDK4/6 inhibitors, rendering initial therapy ineffective, while others develop resistance within approximately 25 months. Once resistance occurs, treatment options often entail higher toxicity and limited clinical benefit, such as mammalian target of rapamycin inhibitors, leading to the emergence of CDK2/4/6 inhibitors as a novel therapeutic avenue to curb cancer cell proliferation. We received implied IND approval from the FDA and the IND approval from the NMPA for conducting Phase I and Phase II clinical trials of TY-0540 for the treatment of advanced solid tumors in June 2023 and September 2023, respectively. We are currently conducting a Phase I clinical trial of TY-0540 monotherapy or combination therapy in solid tumors in China, and expect to commence Phase Ib clinical trial in the first quarter of 2025.

- TY-4028 is a potent, irreversible, oral exon 20 insertion-TKI, targeting locally advanced or metastatic NSCLC with EGFR exon 20 or HER2 exon 20 insertions. EGFR exon 20 insertion is the third common mutation in NSCLC, according to Frost & Sullivan, and among NSCLC patients with EGFR mutation, approximately 7.7% of patients have EGFR exon 20 insertion in China. Patients with exon 20 insertions are associated with primary resistance to targeted EGFR-TKIs and correlate with a poor patient prognosis. TY-4028 presents an innovative, targeted therapy for this specific subset of NSCLC patients. We received implied IND approval from the FDA and the IND approval from the NMPA in April 2023 and June 2023, respectively. We plan to initiate a Phase I trial of TY-4028 in NSCLC with exon 20 insertion in China in December 2024.

- TY-1091 is a potent and selective rearranged during transfection proto-oncogene ("**RET**") inhibitor. It is intended for the treatment of advanced NSCLC with RET gene fusion, advanced medullary thyroid cancer ("**MTC**") with RET gene mutation and other advanced solid tumors with RET gene alterations. We received implied IND approval from the FDA and the IND approval from the NMPA in August 2022 and December 2022, respectively. We are currently conducting a Phase I clinical trial of TY-1091 in RET fusion-positive solid tumors in China.

In addition, we are developing a number of drug candidates in preclinical or early clinical development stage, including TY-1054, TY-1210, TY-0609 and TY-3200.

Our Technology Platforms

We have established four proprietary and fully-integrated technology platforms centered around the development of new small molecule drugs, which enable us to direct our efforts towards candidates with the best potential to become clinically active, cost-effective and commercially viable drugs:

- Drug design and screening platform: Our drug design and screening platform is a small molecule drug discovery platform, currently focusing on kinase. This platform comprises two important functions, namely, kinase biology and small molecule drug discovery. Notably, all our drug candidates (except TY-9591 and TY-302) were conceived and synthesized within this platform, and have garnered recognition from domestic pharmaceutical companies. For example, we out-licensed the Greater China rights of TY-2136b to Livzon when it was in the preclinical stage.

- Druggability evaluation platform: Equipped with a druggability evaluation platform, we are capable to conduct a wide range of R&D activities in-house, including drug metabolism and pharmacokinetics ("**DMPK**") studies, *in vivo* and *in vitro* bioactivity studies (including animal modeling), toxicity studies, physicochemical characterization, and chemistry, manufacture, and controls processes ("**CMC**") of drug candidates. We are capable to evaluate the efficacy of our drug candidates including kinase inhibitors in-house.

- Translational medicine platform: Our translational medicine platform enables us to conduct research on the pathogenesis of tumors and neurological disorders, and systematically search for and identify potential biomarkers and new drug targets. Using genomics, transcriptomics and proteomics methods, we can systematically assess drug effects.

- CADD/AIDD platform: Our computer-aided drug design ("**CADD**")/artificial intelligence drug design ("**AIDD**") platform is dedicated to aiding our internal drug discovery team. This platform has yielded several pipeline products. For example, TY-2136b, designed to target tyrosine kinases ROS1/NTRK, emerged during lead optimization in CADD. TY-2699a, a CDK7 inhibitor, employed CADD/AIDD in compound design, highlighting the value of AIDD in identifying overlooked aspects to improve therapeutic window.

Research and Development

We consistently devote resources to R&D to pave way for long-term growth. Our R&D costs in 2022, 2023 and six months ended June 30, 2024 amounted to RMB229.8 million, RMB249.3 million and RMB137.8 respectively. Our in-house R&D capabilities, built on our proprietary technology platforms, are backed by our R&D centers in Huzhou, Zhejiang and Zhengzhou, Henan. Our R&D centers are equipped with advanced laboratories and state-of-art equipment and instruments such as liquid chromatography, liquid chromatography mass spectrometer, and nuclear magnetic resonance. We believe that our integrated capabilities give us the agility to formulate our innovation, registration, commercialization and product optimization strategies that can navigate us through rapidly changing market needs, enable us to improve pipeline viability and expedite the product development cycle at a lower cost.

As of June 30, 2024, we had 107 members in our R&D team, around 56% of whom held master's or doctoral degrees in relevant fields. The expertise of our team members spans the entire spectrum of drug development, encompassing drug discovery, medicinal chemistry design and virtual screening, preclinical pharmaceutical research, drug testing and purification, formulation development, clinical research, regulatory submissions and platform construction.

COMMERCIALIZATION

To capture market demand under fierce competition, we will not only build our in-house sales and marketing capabilities progressively, but also engage contract sales organizations in China to leverage their sales and marketing expertise and well-established networks and resources.

Cautionary Statement as required by Rule 18A.08(3) of the Listing Rules: There is no assurance that our Company will ultimately develop, market and/or commercialize our products or any other product candidates successfully. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the H Shares.

Future and Outlook

Accelerate the clinical development of our product candidates

We intend to accelerate the clinical development of our Core Product and Key Products to achieve commercialization, while continuing to explore potential combination therapy opportunities to fully unlock the commercial and clinical value of our product pipeline. In particular:

- TY-9591. We are currently conducting a pivotal Phase II clinical trial of TY-9591 monotherapy as first-line treatment in brain metastases from NSCLC with EGFR mutations. We plan to complete patient enrollment for this clinical trial in the third quarter of 2024, and submit an application to the NMPA for conditional marketing approval in the first quarter of 2025. In addition, we are conducting a registrational Phase III clinical trial of TY-9591 monotherapy as first-line treatment in locally advanced or metastatic NSCLC with EGFR exon 21 L858R mutation. We plan to complete patient enrollment for this clinical trial in the fourth quarter of 2024, and submit a NDA in the second half of 2026. To fully explore the potential of TY-9591, we also applied for and obtained the IND approval for conducting Phase II and Phase III clinical trials of TY-9591 in combination with pemetrexed and cisplatin or carboplatin as first-line treatment in advanced or metastatic NSCLC with EGFR mutations in March 2024, and expect to commence a Phase II trial in the second half of 2024. We expect to complete patient enrollment of the Phase II trial in the first half of 2026.

- TY-302. We are currently conducting a Phase II clinical trial of TY-302 in breast cancer. We expect to initiate a registrational Phase III clinical trial of TY-302 in combination with toremifene citrate as third- or later-line treatment in breast cancer in the first quarter of 2025, and we anticipate to submit a NDA in the second half of 2028. In addition, we plan to commence a Phase II clinical trial of TY-302 in combination with abiraterone as first-line treatment in prostate cancer in the second half of 2024 and we expect to commence a registrational Phase III clinical trial of TY-302 in the second half of 2026.

- TY-2136b. Livzon is currently conducting a Phase Ib clinical trial of TY-2136b in China and we are conducting a Phase I clinical trial in the U.S. Leveraging Phase I clinical data collected both in China and the U.S., we plan to communicate with the FDA and carefully design our future clinical development plan of TY-2136b in the U.S.

We also plan to rapidly advance the clinical development of our other clinical-stage and preclinical-stage drug candidates either as monotherapies or combination therapies to address unmet clinical needs. In particular:

- TY-2699a. We are currently in Phase Ia clinical stage of investigating TY-2699a monotherapy or combination therapy in locally advanced or metastatic solid tumors (especially in SCLC and TNBC) in China, and expect to commence Phase Ib study in the first quarter of 2025. We anticipate to commence a pivotal Phase II clinical trial in the second half of 2026.

- TY-0540. We are currently in Phase Ia clinical stage of investigating TY-0540 monotherapy or combination therapy in solid tumors in China, and expect to commence Phase Ib study in the first quarter of 2025. We anticipate to commence a Phase II clinical trial in the second half of 2026.

Continue enhancing R&D capabilities and expanding our pipeline

Our core competencies lie in our understanding of diseases and the mechanisms of action of drugs. We have made remarkable achievements so far, and in the future, we will continue to strengthen these capabilities. At the same time, we recognize that drugs with novel targets and mechanisms of action will enhance our competency in the pharmaceutical industry. Therefore, we have developed several innovative drug candidates, such as TY-1054, TY-1210, and TY-0609, and plan to continue the development of these candidates. Furthermore, we plan to actively invest in in-house discovery to seize market opportunities and to identify and develop innovative compounds.

Additionally, we intend to leverage Dr. Wu's experience in the development of innovative drugs for central nervous system diseases and pursue opportunities to expand into other therapeutic areas, such as central nervous system diseases, autoimmune diseases, and cardiovascular diseases.

Enhance manufacturing capability and establish commercialization capability

We plan to continue to enhance manufacturing capability by procuring additional manufacturing equipment and scaling up our manufacturing capacity when necessary, which we believe will prepare us for the commercialization of more pipeline products in the foreseeable future.

In addition, we plan to explore opportunities to vertically integrate our supply chain to secure upstream resources and improve our profitability by investment in or partnerships with selective and qualified raw material suppliers.

We also intend to establish sales and marketing capabilities through a combination of in-house efforts and working with external partners to leverage their sales and marketing expertise and well-established networks and resources.

Explore partnership opportunities to maximize the value of our drug candidates and further expand our product pipeline

We plan to continue to actively explore business collaboration opportunities with leading industry participants to accelerate our development timelines and maximize the clinical and commercial value of our drug candidates in other key international markets. For example, we will consider forging partnerships with multinational corporations to out-license the overseas rights of our assets when appropriate opportunities arise.

Meanwhile, we plan to enhance our business development team, which will continue to closely monitor and keep abreast of the evolving clinical demands, to pursue global opportunities to in-license new drug candidates. We may also selectively acquire or invest in innovative technologies to enhance our R&D capabilities or explore potential combination therapy partners for TY-9591. In addition, we may collaborate with leading universities or research institutions to develop new technologies or drug candidates. We will emphasize on assets that have potential synergies with our current pipeline and technology pipeline, and/or have best-in-class and/or first-in-class potential.

II. FINANCIAL REVIEW

Revenue

The Group did not generate any revenue for the six months ended June 30, 2024 and 2023. The Group's revenue basically depends on the exclusive license agreement (the "**Livzon Agreement**") with Livzon to research, develop, improve, manufacture, use, sell, contract and commercialize ROS1/NTRK/ALK multi-target small molecule broad-spectrum tyrosine kinase inhibitor ("**TY-2136b**") in China. The next milestone that would trigger payment obligation of Livzon had not been reached as of June 30, 2024.

Cost of Sales

The Group did not incur any cost of sales for the six months ended June 30, 2024 and 2023.

Other Income and Gains

During the Reporting Period, our other income and gains primarily consisted of government grants, investment income on financial assets at fair value through profit and loss ("**FVTPL**"), bank interest income and fair value changes of financial assets at FVTPL.

The Group's other income and gains for the six months ended June 30, 2024 was RMB11,285,000, representing an increase of RMB1,006,000 compared to RMB10,279,000 for the six months ended June 30, 2023, mainly due to the increase in government grants and increase in fair value changes of financial assets at FVTPL, partially offset by the decrease in investment income on financial assets at FVTPL.

Research and Development Costs

During the Reporting Period, our R&D costs consisted of (i) trial and testing expenses for our drug candidates, primarily in relation to the engagement of CROs, CDMOs, principal investigators, and other service providers; (ii) staff costs mainly relating to salaries, bonus and other welfare for our R&D personnel; (iii) depreciation and amortization expenses in relation to our R&D equipment and instruments, as well as intangible assets which were used for R&D purpose; (iv) costs of materials consumed in the course of our R&D activities; and (v) other R&D costs, mainly comprising travelling and transportation expenses of our R&D personnel, utilities incurred for our R&D activities and other miscellaneous expenses.

The Group's R&D costs for the six months ended June 30, 2024 was RMB137,758,000, representing an increase of 15.3% compared to RMB119,436,000 for the six months ended June 30, 2023. The increase was primarily attributable to the increase in trial and testing expenses, especially in relation to the development of our core product.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Trial and testing expenses	**99,601**	83,915
Staff costs	**20,295**	21,651
Depreciation and amortization expenses	**9,470**	8,912
Materials consumed	**1,342**	3,079
Others	**7,050**	1,879
Total	**137,758**	119,436

Administrative Expenses

During the Reporting Period, our administrative expenses primarily consisted of (i) staff costs mainly relating to salaries, bonus and other welfare for our administrative personnel; (ii) general office expenses mainly comprising office expenses, hospitality expenses, travelling and transportation expenses, and utilities used for administrative purpose; (iii) depreciation and amortization expenses for offices, equipment and other assets which were used for administrative purpose; (iv) professional service fees mainly paid to legal advisors, auditors, asset valuers and recruitment consultants; (v) listing expenses; and (vi) other administrative expenses mainly including tax and surcharges and other miscellaneous expenses.

The Group's administrative expenses for the six months ended June 30, 2024 was RMB40,100,000, representing an increase of 80.8% compared to RMB22,176,000 for the six months ended June 30, 2023. The increase was primarily attributable to the increase in listing expenses.

Finance Costs

During the Reporting Period, our finance costs primarily consisted of (i) interest on lease liabilities; (ii) interest expenses of government funding, representing deemed interest expenses recorded in relation to Changxing Investment; and (iii) bank loan interests.

The Group's finance costs for the six months ended June 30, 2024 was RMB5,431,000, representing an increase of 21.1% compared to RMB4,483,000 for the six months ended June 30, 2023. The increase in finance costs was primarily attributable to the increase in interests on bank loans and interest expenses of government funding, partially offset by the decrease in interest on lease liabilities.

Income Tax Expenses

The Group did not generate any profits. Therefore, there was no income tax for the six months ended June 30, 2024 and 2023.

Loss for the Reporting Period

Based on the factors described above, our loss for the Reporting Period increased by 26.3% from RMB173,849,000 for the period ended June 30, 2023 to RMB219,533,000 for the six months ended June 30, 2024.

Liquidity and Capital Resources

As at June 30, 2024, the Group had cash and cash equivalents of RMB105,044,000, including term deposits with initial terms of 6 months of RMB60,000,000 in total. The balance of cash and cash equivalents decreased by 43.8% from RMB186,830,000 as at December 31, 2023. The decrease was primarily arising from the followings:

- For the six months ended June 30, 2024, our net cash used in operating activities was RMB136,281,000, primarily attributable to (i) our loss before tax of RMB219,533,000, as adjusted to reflect non-cash and/or non-operating items, which principally included fair value loss on redemption liabilities on equity shares of RMB47,459,000, depreciation and amortization of RMB14,727,000, listing expenses of RMB12,632,000, share-based payment compensation expenses of RMB7,035,000, finance costs of RMB5,431,000; and (ii) an increase in trade and other payables of RMB1,659,000.

- For the six months ended June 30, 2024, our net cash used in investing activities was RMB120,136,000, primarily attributable to (i) purchase of financial assets of RMB138,000,000; and (ii) purchase of time deposits of RMB60,000,000, partially offset by the disposal of financial assets at FVTPL of RMB91,372,000.

- For the six months ended June 30, 2024, our net cash generated from financing activities was RMB114,652,000, primarily as a result of new bank loans of RMB80,400,000 and net proceeds from the issue of shares of RMB50,000,000.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Capital Expenditures

During the Reporting Period, the Group's total capital expenditure amounted to approximately RMB18,268,000, which was mainly used in purchases of items of property, plant and equipment.

We regularly incur capital expenditures to purchase and maintain our property, plant and equipment in order to enhance our R&D capabilities and expand our business operations. Historically, we have funded our capital expenditures mainly through equity financing and bank borrowings.

Borrowings

As at June 30, 2024, our borrowings were RMB80,480,000 and there was no borrowing as at December 31, 2023. The borrowings were unsecured short-term bank loans with various commercial banks, with effective interest rates ranging from 3.6% to 3.9% per annum. As at June 30, 2024, the Group has unutilized bank facilities of RMB20,000,000.

The loan agreements in relation to such bank loans contained standard terms, conditions and covenants that are customary for commercial bank loans.

Commitments

The Group had the following contractual commitments at the end of the reporting period:

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Property, plant and equipment	**2,511**	15,540

Pledge of Assets

As of June 30, 2024, the Group did not have any major assets pledged.

Contingent Liabilities

As of June 30, 2024, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, we did not hold any significant investments. For the Reporting Period, except for the potential disposal of the entire equity interest in a subsidiary to an independent third party with a consideration of RMB34,900,000 which we are still in the process of completing this transaction, the Group did not have material acquisitions or disposals.

Gearing Ratio

The Group monitored capital using gearing ratio. As of June 30, 2024 and December 31, 2023, the Group's gearing ratios (total debt (including redemption liabilities on equity shares, interest-bearing bank and other borrowings, other long-term payables and lease liabilities) as a percentage of total equity) were negative values.

Foreign Currency Risk

The Group was not exposed to significant currency risk, and did not experience any material impact on our operations resulting from fluctuation in exchange rates during the Reporting Period. However, our management monitors our foreign currency risk exposure and will review and adjust our currency risk measures in accordance with our needs. During the Reporting Period, we did not hedge against any foreign exchange fluctuations.

Employees and Remuneration Policies

As of June 30, 2024, we had 144 employees in total. The staff costs of the Group during the Reporting Period amounted to RMB32,809,000. The remuneration package of our employees includes basic salaries, bonuses, and employee benefits, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations. We have also adopted the Employee Incentive Scheme in recognition of the contribution of our employees. In addition, we provide relevant training to our employees in order to improve their skills and knowledge.

Future Plans for Significant Investment or Acquisition of Assets

As of the date of this report, the Group did not have detailed future plans for any significant investment or acquisition of capital assets.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDENDS

No interim dividend was declared and paid by the Company for the Reporting Period.

CORPORATE GOVERNANCE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interest of our Shareholders. The Company has adopted the CG Code as its own code of corporate governance after the Listing.

As the H Shares were listed on the Stock Exchange on August 20, 2024, the principles and code provisions set out in the CG Code were not applicable to the Company during the Reporting Period. From the Listing Date to the date of this interim report, in the opinion of the Directors, our Company has complied with all the code provisions as set out in Part 2 of the CG Code, save and except for the following deviation:

Under paragraph C.2.1 of part 2 of the CG code, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. Dr. Wu is the chairperson of the Board and the chief executive officer of the Company. With experience in the pharmaceutical industry and having served in the Company since its establishment, Dr. Wu is in charge of overseeing the overall management, business operation and strategies of the Group. Despite the fact that the roles of the chairperson of the Board and the chief executive officer of the Company are both performed by Dr. Wu which constitutes a deviation from paragraph C.2.1 of part 2 of the CG code, the Board considers that vesting the roles of both the chairperson of the Board and the chief executive officer of the Company all in Dr. Wu has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of the Company.

The balance of power and authority is ensured by the operation of the Board and the senior management, each of which comprises experienced and diverse individuals. The Board currently comprises two executive Directors, five non-executive Directors and four independent non-executive Directors. Therefore, the Board possesses a strong independence element in its composition. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and the chief executive officer is necessary.

COMPLIANCE WITH THE MODEL CODE

Since the Listing Date, the Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and Supervisors.

The Model Code was not applicable to the Company for the Reporting Period, as the Company had not been listed on the Stock Exchange as at June 30, 2024. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code from the Listing Date to the date of this interim report.

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in relation to the preparation of financial statements and accounts of the Group and on ensuring that the financial statements of the Group are prepared in accordance with the relevant regulations and applicable accounting standards and that the financial statements of the Company are published in a timely manner.

USE OF PROCEEDS FROM GLOBAL OFFERING

Our Company was successfully listed on the Main Board of the Stock Exchange on August 20, 2024. The net proceeds from the Global Offering, after deduction of the underwriting fees and commissions and expenses payable by our Company in connection with the Global Offering, amounted to approximately HK$506.31 million. As of the date of this report, there has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. For the Reporting Period, our Group has not utilised the net proceeds.

Net proceeds from the Global Offering will be utilised in accordance with the proportion of use allocation as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

MATERIAL LITIGATION

As of June 30, 2024, our Company was not involved in any litigation, arbitration, administrative proceedings of material importance which could have a material adverse effect on its financial condition or results of operations, and, so far as our Company is aware, no litigation, arbitration, administrative proceedings of material importance is pending or threatened against our Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Global Offering, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Reporting Period. The Company did not hold treasury shares as of the date of this interim report.

REVIEW OF INTERIM REPORT

The Company has established the Audit Committee with the terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of Part 2 of the CG Code. The Audit Committee consists of one non-executive Director, namely, Dr. LI Jun and two independent non-executive Directors, namely, Mr. ZHANG Senquan and Dr. LENG Yuting. The chairperson of the Audit Committee is Mr. ZHANG Senquan, who holds the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee, together with the management of the Company, has considered and reviewed the Group's interim results for the Reporting Period, this interim report and the accounting principles and policies adopted by the Company and is of the view that the interim results and the interim report of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The independent auditor of the Company, Ernst & Young, has also reviewed the Group's interim financial information for the six months ended June 30, 2024 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES IN THE DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INFORMATION

There have been no changes in the information of Directors, Supervisors and chief executive of the Company since the publication of the Prospectus up to the date of this interim report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of June 30, 2024, the H Shares were not yet listed on the Stock Exchange and accordingly, the provisions of Divisions 7 and 8 of Part XV of the SFO were not applicable to our Company.

As of the date of this report, the interests and short positions of the Directors, Supervisors or chief executive of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director/Supervisor/chief executive	Capacity/Nature of interest[1]	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
Dr. Wu[4] *(Executive Director, Chairman of the Board and Chief Executive Officer)*	Interest in controlled corporations	H Shares	45,937,500	23.85%	12.39%
		Unlisted Shares	85,312,500	47.86%	23.01%
Dr. GU Eric Hong[5] *(Non-executive Director)*	Interest in controlled corporations	H Shares	2,887,500	1.50%	0.78%
		Unlisted Shares	5,362,500	3.01%	1.45%
Mr. HE Chao[6] *(Non-executive Director)*	Interest in controlled corporations	H Shares	6,791,629	3.53%	1.83%
		Unlisted Shares	12,613,025	7.08%	3.40%
Dr. DING Zhao[7] *(Non-executive Director)*	Interest in controlled corporations	H Shares	3,664,004	1.90%	0.99%
		Unlisted Shares	6,804,580	3.82%	1.83%

Notes:

(1) All interests stated are long position.

(2) The calculation is based on the total number of 178,249,645 Unlisted Shares and 192,586,173 H Shares in issue as of the date of this report.

(3) The calculation is based on the total number of 370,835,818 Shares in issue as of the date of this report.

(4) Tetranov Pharmaceutical beneficially owns 35,000,000 H Shares and 65,000,000 Unlisted Shares. As of the date of this report, Tetranov Pharmaceutical was held as to approximately 30.66% by Dr. Wu, approximately 20.15% by Zhengzhou Hongnuo and approximately 3.02% by Zhengzhou Derui, respectively. Zhengzhou Hongnuo is managed by its executive partner, Huzhou Derui, which is in turn owned as to 99% by Zhengzhou Derui. Zhengzhou Derui is wholly owned by Dr. Wu. As such, under the SFO, Dr. Wu is deemed to be interested in the 35,000,000 H Shares and 65,000,000 Unlisted Shares held by Tetranov Pharmaceutical.

Changxing Liyuan beneficially owns 7,934,500 H Shares and 14,735,500 Unlisted Shares. As of the date of this report, Changxing Liyuan is managed by its executive partner, Zhengzhou Derui, which is wholly owned by Dr. Wu.

Each of Changxing Caiyuan and Changxing Gangyuan is our ESOP Platform. Changxing Caiyuan beneficially owns 1,323,000 H Shares and 2,457,000 Unlisted Shares. Changxing Gangyuan beneficially owns 1,680,000 H Shares and 3,120,000 Unlisted Shares. As of the date of this report, each of Changxing Caiyuan and Changxing Gangyuan is managed by its executive partner, Huzhou Derui, which is owned as to 99% by Zhengzhou Derui. Zhengzhou Derui is wholly owned by Dr. Wu.

As such, under the SFO, Dr. Wu is deemed to be interested in (i) the 1,323,000 H Shares and 2,457,000 Unlisted Shares held by Changxing Caiyuan; and (ii) the 1,680,000 H Shares and 3,120,000 Unlisted Shares held by Changxing Gangyuan.

(5) Pivot Pharma Tech (Shanghai) Co., Ltd. (貝沃特醫藥技術(上海)有限公司) ("**Pivot Pharma**") beneficially owns 2,887,500 H Shares and 5,362,500 Unlisted Shares. Pivot Pharma is wholly owned by Dr. GU Eric Hong (顧虹). As such, under the SFO, Dr. GU Eric Hong is deemed to be interested in 2,887,500 H Shares and 5,362,500 Unlisted Shares held by Pivot Pharma.

(6) Ningbo Meishan Bonded Port Area Houji Tongnuo Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區厚紀通諾投資管理合夥企業(有限合夥)) ("**Houji Tongnuo**") beneficially owns 4,951,317 H Shares and 9,195,302 Unlisted Shares. Ningbo Meishan Bonded Port Area Houyang Tongchi Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區厚揚通馳投資管理合夥企業(有限合夥)) ("**Houyang Tongchi**") beneficially owns 1,840,312 H Shares and 3,417,723 Unlisted Shares. As of the date of this report, each of Houji Tongnuo and Houyang Tongchi is managed by its executive partner, Beijing Houji Jingqiao Venture Capital Co., Ltd. (北京厚紀景橋創業投資有限公司), which is in turn wholly owned by Beijing Rongchen Houji Investment Management Co., Ltd. (北京融辰厚紀投資管理有限公司) ("**Rongchen Houji**"). Rongchen Houji is owned as to approximately 83% by Mr. HE Chao (何超), our non-executive Director. As such, under the SFO, Mr. HE Chao (何超) is deemed to be interested in (i) the 4,951,317 H Shares and 9,195,302 Unlisted Shares held by Houji Tongnuo; and (ii) the 1,840,312 H Shares and 3,417,723 Unlisted Shares held by Houyang Tongchi.

(7) Sichuan Huiyu Pharmaceutical Co., Ltd. (四川匯宇製藥股份有限公司) ("**Huiyu Pharmaceutical**") beneficially owns 3,664,004 H Shares and 6,804,580 Unlisted Shares. Huiyu Pharmaceutical is controlled by Dr. DING Zhao (丁兆). As such, under the SFO, Dr. DING Zhao (丁兆) is deemed to be interested in 3,664,004 H Shares and 6,804,580 Unlisted Shares.

Save as disclosed above, as of the date of this report, so far as it was known to the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of June 30, 2024, the H Shares were not yet listed on the Stock Exchange and accordingly, the provisions of Divisions 2 and 3 of Part XV of the SFO were not applicable to our Company.

As of the date of this report, so far as the Directors are aware, the following persons had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were 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[1]**	**Class of Shares**	**Number of Shares**	**Approximate percentage of shareholding in the relevant class of Shares[2]** *(%)*	**Approximate percentage of shareholding in the total share capital of the Company[3]** *(%)*
Dr. Wu[4][5]	Interest in controlled corporations	H Shares	45,937,500	23.85	12.39
		Unlisted Shares	85,312,500	47.86	23.01
Ms. Zhu[4][5]	Interest of spouse	H Shares	45,937,500	23.85	12.39
		Unlisted Shares	85,312,500	47.86	23.01
Tetranov Pharmaceutical[4]	Beneficial owner	H Shares	35,000,000	18.17	9.44
		Unlisted Shares	65,000,000	36.47	17.53
Changxing Liyuan[5]	Beneficial owner	Unlisted Shares	14,735,500	8.27	3.97
Jiangsu Addor Equity Investment Fund Management Co., Ltd. (江蘇毅達股權投資基金管理有限公司) ("**Addor Capital Fund Management**")[6]	Interest in controlled corporations	H Shares	20,400,000	10.59	5.50
Nanjing Addor Capital Management Enterprise (Limited Partnership) (南京毅達資本管理企業(有限合夥))[6]	Interest in controlled corporations	H Shares	20,400,000	10.59	5.50
Nanjing Addor Investment Management Co., Ltd. (南京毅達投資管理有限公司) ("**Nanjing Addor Management**")[6]	Interest in controlled corporations	H Shares	20,400,000	10.59	5.50

Name of Shareholder	Capacity/Nature of interest[1]	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares[2] *(%)*	Approximate percentage of shareholding in the total share capital of the Company[3] *(%)*
Houji Tongnuo[7]	Beneficial Owner	Unlisted Shares	9,195,302	5.16	2.48
Yantai Huayan Trading Co., Ltd. (煙台華衍商貿有限公司) ("**Yantai Huayan**")[7]	Interest in controlled corporations	Unlisted Shares	9,195,302	5.16	2.48
MOU Yanmin (牟衍敏)[7]	Interest in controlled corporations	Unlisted Shares	9,195,302	5.16	2.48
Beijing Houji Jingqiao Venture Capital Co., Ltd. (北京厚紀景橋創業投資有限公司) ("**Huge Capital**")[7]	Interest in controlled corporations	Unlisted Shares	12,613,025	7.08	3.40
Mr. HE Chao (何超)[7]	Interest in controlled Corporations	Unlisted Shares	12,613,025	7.08	3.40
Changxing Guohai Donghu Equity Investment Partnership (Limited Partnership) (長興國海東湖股權投資合夥企業(有限合夥)) ("**Changxing Guohai**")[8]	Beneficial Owner	Unlisted Shares	9,139,200	5.13	2.46
Changxing Donghu Industrial Co., Ltd. (長興東湖實業有限公司) ("**Donghu Industrial**")[8]	Interest in controlled corporations	Unlisted Shares	9,139,200	5.13	2.46
Sealand Innovation Capital Investment Management Co., Ltd. (國海創新資本投資管理有限公司) ("**Sealand Innovation**")[8]	Interest in controlled corporations	Unlisted Shares	13,747,200	7.71	3.71
Sealand Securities Co., Ltd. (國海證券股份有限公司) ("**Sealand Securities**")[8]	Interest in controlled corporations	Unlisted Shares	13,747,200	7.71	3.71

Notes:

(1) All interests stated are long position.

(2) The calculation is based on the total number of 178,249,645 Unlisted Shares and 192,586,173 H Shares in issue as of the date of this report.

(3) The calculation is based on the total number of 370,835,818 Shares in issue as of the date of this report.

(4) Tetranov Pharmaceutical beneficially owns 35,000,000 H Shares and 65,000,000 Unlisted Shares. As of the date of this report, Tetranov Pharmaceutical was held as to approximately 30.66% by Dr. Wu, approximately 20.15% by Zhengzhou Hongnuo and approximately 3.02% by Zhengzhou Derui, respectively. Zhengzhou Hongnuo is managed by its executive partner, Huzhou Derui, which is in turn owned as to 99% by Zhengzhou Derui. Zhengzhou Derui is wholly owned by Dr. Wu. As such, under the SFO, Dr. Wu is deemed to be interested in the 35,000,000 H Shares and 65,000,000 Unlisted Shares held by Tetranov Pharmaceutical. Ms. Zhu is spouse of Dr. Wu. Therefore, under the SFO, Ms. Zhu is deemed to be interested in the same number of Shares in which Dr. Wu is interested in.

(5) Changxing Liyuan beneficially owns 7,934,500 H Shares and 14,735,500 Unlisted Shares. As of the date of this report, Changxing Liyuan is managed by its executive partner, Zhengzhou Derui, which is wholly owned by Dr. Wu.

Each of Changxing Caiyuan and Changxing Gangyuan is our ESOP Platform. Changxing Caiyuan beneficially owns 1,323,000 H Shares and 2,457,000 Unlisted Shares. Changxing Gangyuan beneficially owns 1,680,000 H Shares and 3,120,000 Unlisted Shares. As of the date of this report, each of Changxing Caiyuan and Changxing Gangyuan is managed by its executive partner, Huzhou Derui, which is owned as to 99% by Zhengzhou Derui. Zhengzhou Derui is wholly owned by Dr. Wu.

As such, under the SFO, Dr. Wu is deemed to be interested in (i) the 7,934,500 H Shares and 14,735,500 Unlisted Shares held by Changxing Liyuan; (ii) the 1,323,000 H Shares and 2,457,000 Unlisted Shares held by Changxing Caiyuan; and (iii) the 1,680,000 H Shares and 3,120,000 Unlisted Shares held by Changxing Gangyuan. Ms. Zhu is spouse of Dr. Wu. Therefore, under the SFO, Ms. Zhu is deemed to be interested in the same number of Shares in which Dr. Wu is interested in.

(6) Addor Capital Fund Management is the executive partner of Jiangsu Addor Capital Results Innovation Venture Capital Fund (Limited Partnership) (江蘇毅達成果創新創業投資基金(有限合夥)) ("**Addor Results**") and Jiangsu Small and Medium Enterprises Development Fund (Limited Partnership) (江蘇中小企業發展基金(有限合夥)) ("**Jiangsu SME**"). Addor Capital Fund Management is owned as to approximately 40.68% by Nanjing Addor Capital Management Enterprise (Limited Partnership) (南京毅達資本管理企業(有限合夥)), the executive partner of which is Nanjing Addor Management. Addor Capital Fund Management is also the executive partner of Nanjing Addor Equity Investment Management Enterprise (Limited Partnership) (南京毅達股權投資管理企業(有限合夥)), which in turn is the executive partner of Jiangsu Talent Innovation Venture Capital Fund IV (Limited Partnership) (江蘇人才創新創業投資四期基金(有限合夥)) ("**Jiangsu Talent**"). Each of Addor Results, Jiangsu SME and Jiangsu Talent beneficially owns 9,600,000 H Shares, 7,200,000 H Shares and 3,600,000 H Shares, respectively. As such, under the SFO, Nanjing Addor Management is deemed to be interested in the 9,600,000 H Shares, 7,200,000 H Shares and 3,600,000 H Shares held by Addor Results, Jiangsu SME and Jiangsu Talent, respectively.

(7) Huge Capital is the executive partner of Houji Tongnuo and Houyang Tongchi. It is ultimately controlled by Mr. HE Chao (何超), our non-executive Director. As such, Huge Capital and Mr. HE Chao (何超) are deemed to be interested in the 9,195,302 Unlisted Shares and 3,417,723 Unlisted Shares held by Houji Tongnuo and Houyang Tongchi under the SFO.

As of the date of this report, Yantai Huayan held approximately 50.29% interest in Houji Tongnuo as a limited partner. It is wholly owned by MOU Yanmin (牟衍敏). As such, each of Yantai Huayan and MOU Yanmin (牟衍敏) is deemed to be interested in the 9,195,302 Unlisted Shares held by Houji Tongnuo under the SFO.

(8) Sealand Innovation is the executive partner of Changxing Guohai and Zhuzhou Guohai Guochuang Qianjin Pharmaceutical Venture Capital Partnership (Limited Partnership) (株洲市國海國創千金醫藥創業投資合夥企業(有限合夥)) ("**Guohai Guochuang**"). It is wholly owned by Sealand Securities, a company listed on the Shenzhen Stock Exchange (stock code: 000750). As such, Sealand Innovation and Sealand Securities are deemed to be interested in the 9,139,200 Unlisted Shares and 4,608,000 Unlisted Shares held by Changxing Guohai and Guohai Guochuang under the SFO.

As of the date of this report, Donghu Industrial held approximately 83.33% interest in Changxing Guohai as its limited partner. As such, it is deemed to be interested in the 9,139,200 Unlisted Shares held by Changxing Guohai under the SFO.

Save as disclosed above, as of the date of this report, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors', Supervisors' and chief executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" of this interim report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of our Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was our Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate from the Listing Date to the date of this interim report.

Employee Incentive Scheme

The purpose of the Employee Incentive Scheme is to improve the long-term incentive mechanism of our Company in order to enhance the enthusiasm and innovation of our employees, enable our Company to attract and retain high-end talents and promote our Company's continued growth.

In recognition of the contribution of our employees, we have adopted the Employee Incentive Scheme prior to the Global Offering. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of Shares or the grant of options by our Company to subscribe for the Shares after the Listing. Pursuant to the Articles of Association and the Employee Incentive Scheme rules, our Board is responsible for reviewing and approving the implementation, alteration and termination of the Employee Incentive Scheme. Our Board has further established an employee equity incentive scheme daily management working committee (the "**Employee Incentive Scheme Working Committee**"), whose members are appointed at the sole discretion of our Board, to assist in the implementation of the Employee Incentive Scheme and carry out other matters delegated by our Board. The participants of the Employee Incentive Scheme include senior managers, key mid-level managers and core technical personnel of our Company as well as key employees with outstanding contributions who have been nominated by the chairman and approved by the Employee Incentive Scheme Working Committee (the "**Participants**").

Under the Employee Incentive Scheme rules, where the Participant's employment relationship with our Company terminates without misconduct during the lock-up period, or where the Participant applies to redeem his equity interest in the ESOP Platform, the relevant Participant shall, with the consent of the Employee Incentive Scheme Working Committee and at the exit price calculated pursuant to the Employee Incentive Scheme, (i) transfer all of his equity interest in the ESOP Platform to the executive partner or any third party approved by the Employee Incentive Scheme Working Committee or (ii) withdraw the capital contribution corresponding to the partnership interest held by him in the ESOP Platforms, upon which the executive partner or any third party approved by the Employee Incentive Scheme Working Committee shall make the corresponding capital contribution to the ESOP Platform. Since the adoption of the Employee Incentive Scheme and up to the date of this interim report, no incentive awards have been redeemed. For more details of the Employee Incentive Scheme, please refer to "Further Information about our Directors, Supervisors and Substantial Shareholders — 5. Employee Incentive Scheme" in Appendix VII of the Prospectus.

Save as disclosed above, neither the Company nor its subsidiaries had any other share scheme.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any other material subsequent events after the Reporting Period and up to the date of this interim report.

By Order of the Board
TYK Medicines, Inc*
(浙江同源康醫藥股份有限公司)
Dr. WU Yusheng
Chairman, Executive Director and Chief Executive Officer

Hong Kong, August 30, 2024

* *For identification purpose only*

INDEPENDENT REVIEW REPORT

To the board of directors of TYK Medicines, Inc
(Incorporated in Chinese Mainland with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 41 to 72, which comprises the condensed consolidated statement of financial position of TYK Medicines, Inc (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
30 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	2024	2023
		RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Revenue		**–**	–
Cost of sales		**–**	–
GROSS PROFIT		**–**	–
Other income and gains	4	**11,285**	10,279
Research and development costs		**(137,758)**	(119,436)
Administrative expenses		**(40,100)**	(22,176)
Other expenses and losses	5	**(70)**	(8)
Finance costs	7	**(5,431)**	(4,483)
Change in fair value of redemption liabilities on equity shares		**(47,459)**	(38,025)
LOSS BEFORE TAX	6	**(219,533)**	(173,849)
Income tax expense	8	**–**	–
LOSS FOR THE PERIOD		**(219,533)**	(173,849)
Attributable to:			
Owners of the Company		**(219,053)**	(173,539)
Non-controlling interests		**(480)**	(310)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(219,533)**	(173,849)
Attributable to:			
Owners of the Company		**(219,053)**	(173,539)
Non-controlling interests		**(480)**	(310)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (expressed in RMB)	10	**(0.68)**	(0.60)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024	31 December 2023
		RMB'000 **(Unaudited)**	*RMB'000* (Audited)
NON-CURRENT ASSETS			
Restricted bank deposit		**4,688**	4,683
Property, plant and equipment	11	**156,567**	157,510
Right-of-use assets	12	**84,673**	92,335
Intangible assets		**65,242**	68,071
Prepayments and other receivables	13	**19,786**	16,830
Total non-current assets		**330,956**	339,429
CURRENT ASSETS			
Prepayments and other receivables	13	**40,033**	40,387
Financial assets at fair value through profit and loss ("FVTPL")	14	**53,264**	6,001
Restricted bank deposit		**–**	491
Cash and cash equivalents	15	**105,044**	186,830
Total current assets		**198,341**	233,709
CURRENT LIABILITIES			
Trade and other payables	16	**113,330**	133,429
Redemption liabilities on equity shares	17	**1,192,783**	1,145,324
Interest-bearing bank and other borrowings		**80,480**	–
Lease liabilities	12	**23,133**	22,226
Total current liabilities		**1,409,726**	1,300,979
NET CURRENT LIABILITIES		**(1,211,385)**	(1,067,270)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(880,429)**	(727,841)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2024

	Notes	30 June 2024	31 December 2023
		RMB'000 **(Unaudited)**	*RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred income	18	**49,179**	48,281
Other long-term payables	19	**95,818**	84,408
Lease liabilities	12	**17,105**	19,503
Total non-current liabilities		**162,102**	152,192
Net liabilities		**(1,042,531)**	(880,033)
DEFICIENCY IN EQUITY			
Equity attributable to owners of the Company			
Share capital	20	**322,956**	307,356
Reserves		**(1,369,454)**	(1,191,836)
Controlling interests		**(1,046,498)**	(884,480)
Non-controlling interests		**3,967**	4,447
Total deficits		**(1,042,531)**	(880,033)

Wu Yusheng
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital	Share premium	Share-based payment reserve	Other reserves	Accumulated losses	Subtotal	Non-controlling interests	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	**307,356**	**768,344**	**3,887**	**(954,970)**	**(1,009,097)**	**(884,480)**	**4,447**	**(880,033)**
Issue of new shares (notes 20)	**15,600**	**34,400**	**–**	**–**	**–**	**50,000**	**–**	**50,000**
Share-based payment compensation (note 21)	**–**	**–**	**7,035**	**–**	**–**	**7,035**	**–**	**7,035**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(219,053)**	**(219,053)**	**(480)**	**(219,533)**
As at 30 June 2024 (Unaudited)	**322,956**	**802,744**	**10,922**	**(954,970)**	**(1,228,150)**	**(1,046,498)**	**3,967**	**(1,042,531)**

	Share capital	Share premium	Other reserves	Accumulated losses	Subtotal	Non-controlling interests	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	287,989	602,711	(769,970)	(626,670)	(505,940)	5,191	(500,749)
Total comprehensive loss for the period	–	–	–	(173,539)	(173,539)	(310)	(173,849)
As at 30 June 2023 (Unaudited)	287,989	602,711	(769,970)	(800,209)	(679,479)	4,881	(674,598)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	2024	2023
		RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss before tax		**(219,533)**	(173,849)
Adjustments for:			
Investment income on financial assets at FVTPL	4	**(372)**	(2,410)
Finance costs	7	**1,760**	1,440
Listing expenses	6	**12,632**	–
Foreign exchange gains, net	4	**21**	(141)
Charge of share-based payment compensation expenses	6	**7,035**	–
Depreciation of property, plant and equipment	6	**4,702**	3,635
Depreciation of right-of-use assets	6	**7,196**	7,380
Amortisation of intangible assets	6	**2,829**	2,830
Fair value (gain)/loss on financial assets at FVTPL	4	**(263)**	473
Fair value loss on redemption liabilities on equity shares	17	**47,459**	38,025
Loss on disposal of items of property, plant and equipment	5	**–**	3
Gain on termination of a lease contract	4	**(2)**	–
Government grants related to interest-free financing	4	**(3,516)**	(2,901)
Interest expenses of government grants	7	**3,671**	3,043
Decrease/(increase) in trade and other receivables		**1,759**	(10,657)
(Decrease)/increase in trade and other payables		**(1,659)**	29,685
Net cash flows used in operating activities		**(136,281)**	(103,444)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(18,268)**	(50,124)
Purchases of financial assets at FVTPL		**(138,000)**	(475,000)
Disposal of financial assets at FVTPL		**91,372**	550,410
Prepayment for acquisition of land use right		**–**	(876)
Proceeds from disposal of property, plant and equipment		**4,760**	–
Purchase of time deposits		**(60,000)**	–
Net cash flows (used in)/from investing activities		**(120,136)**	24,410

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2024

	Notes	2024	2023
		RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**50,000**	–
Payment of issue cost of financial liabilities at FVTPL		**(13,508)**	–
Payment of listing expenses		**(11,270)**	–
Borrowing from the non-controlling shareholder		**12,000**	65,000
New bank loans		**80,400**	–
Lease payments, including related interest		**(2,106)**	(14,058)
Interest paid		**(864)**	–
Net cash flows from financing activities		**114,652**	50,942
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(141,765)**	(28,092)
Cash and cash equivalents at beginning of period		**186,830**	90,762
Effect of foreign exchange rate changes, net		**(21)**	141
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**45,044**	62,811
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	15	**105,044**	62,811
Time deposits with original maturity of more than three months	15	**(60,000)**	–
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**45,044**	62,811

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in Chinese Mainland on November 2, 2017. The registered office address of the Company is Room 1403-2, Floor 14, Tower A, Changxing World Trade Building, No.1278 Mingzhu Road, Changxing Economic Development Zone, Huzhou, Zhejiang Province, PRC.

During the period, the Company and its subsidiaries are principally engaged in the research, development and commercialisation of pharmaceutical products.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 August 2024.

2.1 BASIS OF PREPARATION

Notwithstanding that the Group recorded net liabilities of RMB1,042,531,000 as at 30 June 2024 and incurred recurring losses from operations, the interim condensed financial information has been prepared on a going concern basis. The Group completed its initial public offering on the Stock Exchange on 20 August 2024, raising total gross proceeds of approximately RMB529.2 million. Upon the completion of the listing, all special rights on equity shares ceased to be effective and the carrying amount of the redemption liabilities on equity shares at that time were transferred to equity, which will result in the change from a net liability position to a net asset position on the statement of financial position. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from 30 June 2024.

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for each of the years ended 31 December 2022 and 2023 as set out in the accountants' report (the "Accountants' Report") included in the prospectus of the Company dated on 12 August 2024 (the "Prospectus").

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-Current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the revised HKFRSs are described below: (Continued)

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is developing and commercialising pharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since all of the Group's non-current assets were located in Chinese Mainland, no geographical information in accordance with HKFRS 8 *Operating Segments* is presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Other income		
Government grants related to income	**6,336**	4,822
Government grants related to interest-free financing	**3,516**	2,901
Bank interest income	**817**	478
Gains		
Investment income on financial assets at FVTPL	**372**	2,410
Gain/(loss) on fair value changes of financial assets at FVTPL	**263**	(473)
Gain on termination of a lease contract	**2**	–
Foreign exchange gains, net	**(21)**	141
Total	**11,285**	10,279

5. OTHER EXPENSES AND LOSSES

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Donation to not-for-profit organisations	**–**	5
Loss on disposals of property, plant and equipment	**–**	3
Others	**70**	–
Total	**70**	8

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	For the six months ended 30 June 2024	2023
		RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Depreciation of property, plant and equipment	11	**4,702**	3,635
Depreciation of right-of-use assets	12	**7,196**	7,380
Amortisation of intangible assets		**2,829**	2,830
Research and development costs		**107,993**	88,873
Loss on disposal of items of property, plant and equipment	5	**–**	3
Expenses relating to short-term leases	12	**477**	449
Listing expenses		**12,632**	–
Staff costs (including directors' emoluments):			
Salaries, discretionary bonuses, allowances and benefits in kind		**24,500**	26,938
Pension scheme contributions		**1,274**	1,477
Share-based payment compensation		**7,035**	–
		32,809	28,415

7. FINANCE COSTS

	For the six months ended 30 June 2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Interest on lease liabilities (note 12)	**816**	1,440
Interest expenses of government grants	**3,671**	3,043
Interest on bank loans	**944**	–
Total	**5,431**	4,483

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese Mainland

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("EIT") rate of the PRC subsidiaries was 25% during the six months ended 30 June 2024 except for the Company which was subject to tax concession set out below.

The Company was accredited as a "High and New Technology Enterprise" ("HNTE") in 2022. Therefore, the Company was entitled to a preferential EIT rate of 15% for the six months ended 30 June 2024. The qualification as a HNTE Enterprise is subject to review by the relevant tax authority in the PRC every three years.

9. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period.

The calculations of basic and diluted loss per share are based on:

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent	**(219,053)**	(173,539)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**320,356,000**	287,989,000
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Express in RMB)		
Basic and diluted	**(0.68)**	(0.60)

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group purchased property, plant and equipment at a cost of RMB8,519,000 (unaudited) (six months ended 30 June 2023: RMB38,082,000 (unaudited)).

Property, plant and equipment with a net book value of RMB4,760,000 (unaudited) were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB3,000 (unaudited)).

No impairment loss was recognised during the six months ended 30 June 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

12. LEASES

The Group as a lessee

The Group has lease contracts for land use right and various items of office premises used in its operations. Land use right has term for usage of approximately 20 to 50 years and leases of office premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
At beginning of the period	**92,335**	107,548
Depreciation charge	**(7,463)**	(7,646)
Disposals	**(199)**	–
At end of the period	**84,673**	99,902

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the period are as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Carrying amount at beginning of the period	**41,729**	55,950
Accretion of interest recognised during the period	**816**	1,440
Lease termination	**(201)**	–
Payments	**(2,106)**	(14,058)
Carrying amount at end of the period	**40,238**	43,332

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

12. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Interest on lease liabilities	**816**	1,440
Depreciation charge of right-of-use assets	**7,196**	7,380
Short-term lease expenses	**477**	449
Lease termination	**(2)**	–
Total	**8,487**	9,269

13. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Non-current:		
Value-added tax recoverable	**15,599**	14,975
Prepayments for long-term assets	**2,554**	274
Rental deposits	**1,633**	1,581
Total	**19,786**	16,830
Current:		
Prepayments for research and development services	**29,763**	33,202
Deferred listing expenses	**6,983**	5,391
Others	**3,287**	1,794
Total	**40,033**	40,387

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

14. FINANCIAL ASSETS AT FVTPL

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Wealth management products	**53,264**	6,001

These wealth management products were issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair values are based on cash flows discounted using the expected yield rate and are within Level 2 of the fair value hierarchy.

15. CASH AND CASH EQUIVALENTS

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Cash and bank balances	**45,044**	186,830
Time deposits over three months*	**60,000**	–
Cash and cash equivalents	**105,044**	186,830
Denominated in		
RMB	**105,039**	186,824
USD	**5**	6

* It represents time deposit in commercial banks of which the term is more than three months.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

16. TRADE AND OTHER PAYABLES

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Trade payables	**29,575**	32,167
Payroll payables	**3,525**	10,253
Accrued expenses for research and development services	**45,194**	36,688
Accrued listing expenses	**6,822**	3,868
Other taxes payables	**12**	459
Other payables		
– Payables for property, plant and equipment	**26,133**	32,671
– Payables for transaction cost on issue of redemption liabilities on equity shares	**–**	13,508
– Others	**2,069**	3,815
Total	**113,330**	133,429

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Within 3 months	**18,980**	28,406
3 to 6 months	**2,591**	3,403
6 months to 1 year	**7,646**	356
Over 1 year	**358**	2
Total	**29,575**	32,167

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

17. REDEMPTION LIABILITIES ON EQUITY SHARES

From April 2018 to June 2024, the Company had received several rounds of investments as follows:

In April 2018, the Company issued 20,000,000 angel round equity shares with a par value of RMB1.00 per share ("Angel Round Shares") to several independent investors for a cash consideration of RMB20,000,000 or RMB1.00 per share.

In April 2019, the Company issued 12,600,000 series pre-A equity shares with a par value of RMB1.00 per share ("Series Pre-A Shares") to one independent investor for a cash consideration of RMB30,000,000 or RMB2.38 per share.

In December 2020, the Company issued 55,200,000 series B equity shares with a par value of RMB1.00 per share ("Series B Shares") to several independent investors for a cash consideration of RMB230,000,000 or RMB4.17 per share.

In April 2021, the Company issued first tranche of series B2 equity shares of 9,216,000 with a par value of RMB1.00 per share ("Series B2 Shares") to several independent investors for a cash consideration of RMB45,000,000 or RMB4.88 per share.

In May 2021, the Company issued second tranche of series B2 equity shares of 23,285,760 with a par value of RMB1.00 per share ("Series B2 Shares") to several independent investors for a cash consideration of RMB113,700,000 or RMB4.88 per share.

In November 2021, the Company issued first tranche of series C equity shares of 18,778,698 with a par value of RMB1.00 per share ("Series C Shares") to several independent investors for a cash consideration of RMB150,000,000 or RMB7.99 per share. The Company received RMB145,000,000 with 18,152,741 of the first tranche of Series C Shares issued.

In December 2021, the Company issued second tranche of Series C Shares of 22,534,437 to Series C holders and several independent investors for a cash consideration of RMB180,000,000 or RMB7.99 per share. The cash consideration for Series C Shares was received in 2022.

In August 2023, the Company issued first tranche of series D equity shares of 8,898,296 with a par value of RMB1.00 per share ("Series D Shares") to several independent investors for a cash consideration of RMB85,000,000 or RMB9.55 per share.

In December 2023, the Company issued second tranche of Series D Shares of 10,468,584 to Series D holders and an independent investor for a cash consideration of RMB100,000,000 or RMB9.55 per share.

Angel Round Shares, Series Pre-A Shares, Series A Shares. Series B Shares, Series B2 Shares, Series C Shares and Series D Shares are collectively referred as Shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

17. REDEMPTION LIABILITIES ON EQUITY SHARES (CONTINUED)

The key terms of the Shares are summarized as follows:

(a) Redemption features

Upon occurrence of the following events, the Shares shall be redeemable at the option of the Shareholders: (i) any material breach or violation of, or inaccuracy or misrepresentation in any representation or warranty made by any entity within the Group or the existing shareholders of the Group in the Share Agreement (The R&D materials and experimental data provided are false or major omissions); (ii) IPO failure or expected IPO failure on 31 December 2024; (iii) any criminal investigation of the Group or the actual controller, or administrative penalties or other major violations of laws and regulations affecting the Company's qualified IPO; (iv) the resignation of the actual controller and 50% or more than of the Company's core personnel; (v) the revocation of the Company's registered core patents; (vi) any arbitration or litigation initiated by a third party with the core patents and patent application rights of the Company as the subject matter may result in the non-marketing of the drugs developed by the Company; (vii) any competent authority effective judgement or ruling that the core patents and patent application rights of the Group infringe the rights of third parties; and (viii) any issuance of a qualified audit report of the Company.

The redemption amount is calculated as the higher of (i) P+I; (ii) the net assets of the company audited by an accountant firm with experience in securities practice that is selected by the company and approved by the investors at the time of transfer held by the investors; and (iii) the investment principal plus the increase of the shareholders' equity of the company held by the investors in proportion to the shareholding period.

(b) Liquidation preferences

In the event of any liquidation, dissolution, winding up of the Company or deemed liquidation event, holders of the Shares shall be entitled to be paid out of the funds and assets available for distribution to the members of the Company, an amount per share equal to the original issue price for each series equity share at 10% interest rate per annum, plus any dividends declared but unpaid thereon in the sequence as follows:

(1) Series D Shares

(2) Series C Shares

(3) Series B Shares and Series B2 Shares

(4) Series Pre-A Shares

(5) Angel Round Shares

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

17. REDEMPTION LIABILITIES ON EQUITY SHARES (CONTINUED)

The key terms of the Shares are summarized as follows: (Continued)

(c) Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by the investors on a per paid-in capital basis, the investors have a right to require the Company to issue additional paid-in capital for nil consideration to the investors or receive cash compensation, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

Pursuant to a termination agreement entered into among the Shareholders and the Company relating to such special rights dated 17 January 2024, the redemption right ceased to be effective from the day before the date of the first submission of the first listing application form for the Listing and all other special rights ceased to be effective upon Listing provided that all such special rights shall be automatically reinstated as if the termination of such rights had never taken place in the event where (i) the Company withdraws its application for the public offering, (ii) the Stock Exchange, the SFC or any competent securities regulatory authority has decided not to approve or to reject the listing application of the Company or otherwise terminate the listing application review procedure, or (iii) the Company fails to complete the public offering within 14 months from the date of submission of the application to the Stock Exchange.

Upon the completion of the listing on 20 August 2024, all above special rights on equity shares ceased to be effective and the carrying amount of the redemption liabilities on equity shares at that time were transferred to equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

17. REDEMPTION LIABILITIES ON EQUITY SHARES (CONTINUED)

The key terms of the Shares are summarized as follows: (Continued)

(c) Anti-dilution right (Continued)

Presentation and classification

The Group and the Company have recognised the Shares as redemption liabilities on equity shares. The change in fair value of the Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that the fair value change in the Shares attributable to changes of own credit risk is not significant.

The movements in our redemption liabilities on equity shares are set out as follows:

	Angel Round Shares	Series Pre-A Shares	Series B Shares	Series B2 Shares	Series C Shares	Series D Shares	Total Shares
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	29,173	41,145	275,537	186,747	349,932	–	882,534
Issuance for cash	–	–	–	–	–	185,000	185,000
Change in fair value	2,000	3,000	23,000	16,180	32,500	1,110	77,790
At 31 December 2023	31,173	44,145	298,537	202,927	382,432	186,110	1,145,324
Change in fair value	**997**	**1,496**	**11,468**	**8,068**	**16,205**	**9,225**	**47,459**
At 30 June 2024 (unaudited)	**32,170**	**45,641**	**310,005**	**210,995**	**398,637**	**195,335**	**1,192,783**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

18. DEFERRED INCOME

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Government grants related to interest-free financing (note 19))	**46,045**	45,299
Government grants related to income*	**3,134**	2,982
	49,179	48,281

* The movements in deferred income during the period/year are as follows:

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
At beginning of the year/period	**2,982**	–
Grants received during the year/period	**4,340**	6,300
Amounts released to profit or loss during the year/period	**(4,188)**	(3,318)
At end of the year/period	**3,134**	2,982

The grants were government subsidies received from local government authorities to support the Group's research and development activities and will be recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

19. OTHER LONG-TERM PAYABLES

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Government funding	**95,818**	84,408

In March 2021, the Company entered into an investment agreement (the "Changxing Investment Agreement") with Administrative Committee of Changxing Economic and Technological Development Zone (長興經濟技術開發區管理委員會). Pursuant to the Changxing Investment Agreement, Changxing Xingkang Equity Investment Partnership (Limited Partnership) (長興興康股權投資合夥企業(有限合夥)) ("CX Xingkang") subscribed for 6,000,000 equity shares in Changxing KY with interest-free repayable financing, which would not exceed RMB220,000,000 in aggregate. In July 2021, June 2022, January 2023 and February 2024, Changxing KY received financing of RMB26,860,000, RMB40,000,000, RMB65,000,000 and RMB12,000,000 respectively, from CX Xingkang. The financing is repayable within seven and a half years from the date of the land transfer. The equity shares held by CX Xingkang would be cancelled upon repayment of the financing.

The financing received by Changxing KY is recorded as a financial liabilities measured at the present value of the repayment amount. As the financing received in July 2021, June 2022, January 2023 and February 2024 was interest-free, the differences between the initial carrying values of the financing and the proceeds received of RMB26,546,000 and RMB4,261,000 (unaudited) were recognised as government grant in the year ended 31 December 2023 and the six months ended 30 June 2024, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

20. SHARE CAPITAL

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Issued and fully paid:		
322,955,818 (2023: 307,355,818) shares	**322,956**	307,356

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
	'000	*RMB'000*
As at 1 January 2023	287,989	287,989
Series D Shares	19,367	19,367
As at 31 December 2023 and 1 January 2024	307,356	307,356
Series Pre-A Shares	**8,400**	**8,400**
Series B Shares	**7,200**	**7,200**
As at 30 June 2024 (unaudited)	**322,956**	**322,956**

In January 2024, consideration for 8,400,000 Series Pre-A Shares, RMB20,000,000, and consideration for 7,200,000 Series B Shares, RMB30,000,000, were settled by Changxing Liyuan Enterprise Management Partnership (Limited Partnership) (長興利源企業管理合夥企業(有限合夥)), Changxing Caiyuan Enterprise Management Partnership (Limited partnership) (長興彩源企業管理合夥企業(有限合夥)) ("Changxing Caiyuan") and Changxing Gangyuan Enterprise Management Partnership (Limited partnership) (長興罡源企業管理合夥企業(有限合夥)) ("Changxing Gangyuan"). As at 26 January 2024, the registered share capital of the Company was RMB322,955,818 and was fully paid.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

21. SHARE-BASED PAYMENTS

The Group adopted a restricted share scheme ("Employee Incentive Scheme") which became effective in 2023, for the purpose of attracting and retaining directors, senior management and employees who promote the success of the Group's operations. Changxing Caiyuan and Changxing Gangyuan are used as restricted share platforms to facilitate the administration of the Employee Incentive Scheme. 8,580,000 shares of the Company, of which 3,780,000 were held by Changxing Caiyuan and 4,800,000 were held by Changxing Gangyuan, were authorized and approved under the Employee Incentive scheme. Pursuant to the Employee Incentive Scheme, the subscription price is RMB2.38 per share and RMB4.17 per share for restricted shares held by Changxing Caiyuan and Changxing Gangyuan respectively.

The restricted shares granted to grantees shall vest and become tradable upon the completion of public offering.

Details of the granted shares are as follows:

Date of grant	Number of shares	Subscription price per share	Fair value at grant date per share
19 October 2023	3,780,000	RMB2.38	RMB5.29
19 October 2023	4,800,000	RMB4.17	RMB5.29

The following restricted shares were outstanding under the Employee Incentive Scheme during the period:

	Number of restricted shares
As at 1 January 2023	–
Granted during the year	8,580,000
As at 31 December 2023 and 1 January 2024	8,580,000
Granted during the period	–
As at 30 June 2024 (unaudited)	**8,580,000**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

21. SHARE-BASED PAYMENTS (CONTINUED)

During the six months ended 30 June 2023 and 2024, share-based payment compensation expenses of nil (unaudited) and RMB7,035,000 (unaudited) were charged to profit or loss.

The fair value of the restricted shares as at the grant date were determined with reference to the fair value of ordinary shares on the grant date, using backsolve method. Major inputs used for the determination of the fair value of ordinary shares are listed as follows:

	At grant date
Expected volatility	66.15%-69.52%
Risk-free interest rate	2.16%
Discount for lack of marketability	5.00%-24.00%

22. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Property, plant and equipment	**2,511**	15,540

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

23. RELATED PARTY TRANSACTIONS

(a) Name of and relationship with related parties

Name	Relationship
Tetranov Pharmaceutical (Zhengzhou) Co., Ltd. (鄭州泰基鴻諾醫藥股份有限公司) ("Tetranov")	Controlled by Dr. Wu Yusheng
Sichuan Huiyu Pharmaceutical Co., Ltd. (四川匯宇製藥股份有限公司) ("Sichuan Huiyu")	Shareholder

(b) Transactions with related parties

The following transactions were carried out with related parties:

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Purchase of goods		
Sichuan Huiyu	**1,062**	–
Service received		
Sichuan Huiyu	**3,236**	–
Rental fee		
Tetranov	**646**	646
Total	**4,944**	646

The above purchase from the related parties were conducted through the arm's length negotiation between the Group and the related parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

23. RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties: (Continued)

(c) Outstanding balances with related parties

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Trade payables (trade in nature):		
Sichuan Huiyu	**469**	–

Amount advanced to a related party is unsecured, non-interest-bearing and repayable on demand. The carrying amounts of amounts due to related parties as at the end of each of the reporting period approximated to their fair values due to their short-term maturities.

The outstanding balance is payables for the purchase of goods and provision of services.

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2024	2023
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Salaries, allowances and benefits in kind	**688**	957
Share-based payment compensation	**923**	–
Pension scheme contributions	**–**	3
Housing funds, medical insurance and other social insurance	**–**	2
Total	**1,611**	962

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Financial assets at FVTPL		
Wealth management products	**53,264**	6,001

Financial liabilities

	30 June 2024	31 December 2023
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Financial liabilities at FVTPL		
Redemption liabilities on equity shares	**1,192,783**	1,145,324

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposit (in the current portion), financial assets included in prepayments and other receivables (in the current portion), financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the other non-current financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows: (Continued)

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks. The fair values are based on cash flows discounted using the expected yield rate.

Below is a summary of significant unobservable inputs to the valuation of redemption liability on equity shares together with an analysis as at 31 December 2023 and 30 June 2024.

Financial liabilities	Fair value hierarchy	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
redemption liability on equity shares	Level 3	Discounted cash flow method	(i) P+I (annual simple rate of 10%); (ii) The net assets of the Company held by the investors; (iii) The investment principal plus the increase of the shareholders' equity of the Company held by the investors in proportion to the shareholding period.	The higher the input, the higher the fair value

The Group are principally engaged in the research, development and commercialization of pharmaceutical products and in operating loss and net liabilities position throughout the period, making redemption amount calculated based on (ii) or (iii) lower than that from (i). Accordingly, the fair value of redemption liabilities on equity shares was calculated based on (i) as of 31 December 2023 and 30 June 2024, the interest rate of which is fixed in the agreement. Therefore, the quantitative sensitivity analysis on changes in (ii) and (iii) would be immaterial and insignificant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2024				
Wealth management products	**–**	**53,264**	**–**	**53,264**
As at 31 December 2023				
Wealth management products	–	6,001	–	6,001

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2024				
Redemption liabilities on equity shares	**–**	**–**	**1,192,783**	**1,192,783**
As at 31 December 2023				
Redemption liabilities on equity shares	–	–	1,145,324	1,145,324

During the period/year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

25. EVENTS AFTER THE REPORTING PERIOD

On 20 August 2024, the Company was successfully listed on the Stock Exchange following the completion of the issue of 47,880,000 H Shares at the price of HK$12.10 per share. The total gross proceeds arising from the listing amounted to approximately HK$579.3 million (approximately equivalent to RMB529.2 million). The Group will utilize the net proceeds in accordance with the intended purposes as set out in the Prospectus. The Board is not aware of any material change to the planned use of the net proceeds as at the date of 30 August 2024.

Upon the completion of the listing on 20 August 2024, all special rights on Shares has ceased to be effective and the carrying amount of the redemption liabilities on equity shares has transferred to equity accordingly.

Save as disclosed above, the Group did not have any other material subsequent events after the Listing Date and up to the date of 30 August 2024.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 August 2024.