

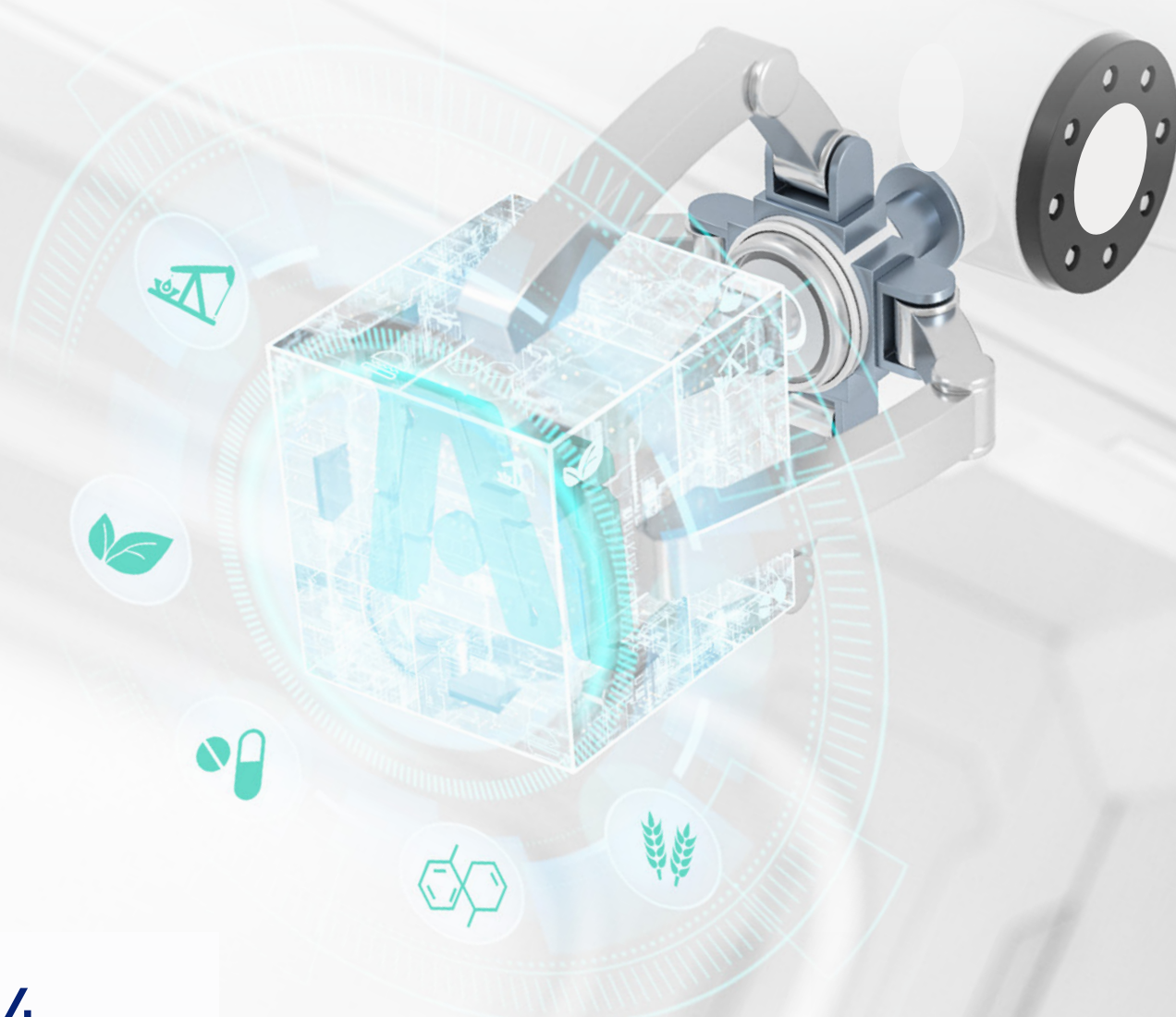
XtalPi

晶泰科技

QuantumPharm Inc.

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 2228



2024
INTERIM REPORT
中期報告

Contents

Corporate Information	2
Warning under Rule 18C.19(5) of the Listing Rules	4
Financial Summary	5
Corporate Profile	6
Management Discussion and Analysis	7
Corporate Governance and Other Information	21
Report on Review of Interim Financial Information	34
Condensed Consolidated Statement of Profit or Loss	35
Condensed Consolidated Statement of Comprehensive Income	36
Condensed Consolidated Balance Sheet	37
Condensed Consolidated Statement of Changes in Equity	39
Condensed Consolidated Statement of Cash Flows	41
Notes to Interim Financial Information	42
Definitions	68

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Wen Shuhao (*Chairman*)
Dr. Ma Jian
Dr. Lai Lipeng
Dr. Jiang Yide Alan

Non-executive Director

Dr. Gu Cuiping

Independent Non-executive Directors

Mr. Law Cheuk Kin Stephen
Ms. Chan Wing Ki
Mr. Chow Ming Sang

AUTHORISED REPRESENTATIVES

Dr. Wen Shuhao
Mr. Tam Man Hong

AUDIT COMMITTEE

Mr. Law Cheuk Kin Stephen (*Chairman*)
Ms. Chan Wing Ki
Mr. Chow Ming Sang

REMUNERATION COMMITTEE

Mr. Law Cheuk Kin Stephen (*Chairman*)
Dr. Ma Jian
Mr. Chow Ming Sang

NOMINATION COMMITTEE

Dr. Wen Shuhao (*Chairman*)
Mr. Law Cheuk Kin Stephen
Ms. Chan Wing Ki

JOINT COMPANY SECRETARIES

Mr. Tam Man Hong
Ms. Chan Sau Ling

LEGAL ADVISORS

As to Hong Kong laws

Sidley Austin

39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

UOB Kay Hian (Hong Kong) Limited

6/F, Harcourt House
39 Gloucester Road
Hong Kong

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Biomedical Industrial Park
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Futian District
Shenzhen
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

2228

COMPANY WEBSITE

www.xtalpi.com

Warning under Rule 18C.19(5) of the Listing Rules

Our Company is a Specialist Technology Company (as defined in Chapter 18C of the Listing Rules). In addition, our Company is a Pre-Commercial Company (as defined in Chapter 18C of the Listing Rules), which is a Specialist Technology Company that has not met the revenue requirement as set out in Rule 18C.03(4) of the Listing Rules.

WE MAY NOT BE ABLE TO ULTIMATELY ACHIEVE THE REVENUE REQUIREMENT AS SET OUT IN RULE 18C.03(4) OF THE LISTING RULES.

Financial Summary

For the six months ended 30 June

	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	102,630	79,967
Research and development expenses	(210,390)	(234,421)
Loss for the period	(1,237,550)	(620,297)
Adjusted net loss (non-IFRS measure) *	(251,396)	(357,522)

* Adjusted net loss is not defined under the IFRS. It represents the loss for the period excluding the effect brought by (i) changes in fair value of CRPS, (ii) share-based compensation expenses, and (iii) listing expenses.

Corporate Profile

We are a quantum physics-based, AI-powered, and robotics-driven, innovative R&D platform. We adopt a combination of quantum physics-based first-principles calculation¹, AI, high performance cloud computing, and scalable and standardized robotic automation to provide drug and material science R&D solutions and services to global and domestic companies in the pharmaceutical and material science (including agritech, energy and new chemicals, and cosmetics) industries and beyond.

We have a diverse customer base, ranging from start-ups to global biotechnology and pharmaceutical companies, as well as unicorns and leading companies in the field of new materials. Our customer base includes 16 of the top 20 global biotechnology and pharmaceutical companies ranked by revenue in 2022 according to Frost & Sullivan, which we believe is an indicator of the caliber of our solutions and services. With operations in both China and the U.S., we strive to take advantage of the best capabilities and resources available to us in each region to meet the evolving needs of our customers and collaborators and academic partners. We have well-established and longstanding relationship with many of the world's leading biotechnology and pharmaceutical conglomerates and leading companies in the field of new materials, such as Pfizer Inc., Johnson & Johnson, Merck KGaA, Darmstadt, Germany, and GCL Group, many of which are our repeat customers. Since our founding, we have received substantial investments and support from world-renowned private equity and strategic investors, including HongShan, Mirae Asset, Google, Tencent, China Life Chengda, and 5Y Capital. We believe our blue-chip shareholder base and prominent customer base is a testament to our capabilities and prospects.

VISION

Our vision is becoming the global leader in quantum physics-based, AI-powered drug and material science R&D.

MISSION

Our mission is a world of smarter science, better lives.

We aim to accelerate the design and discovery of novel drugs and materials leveraging quantum physics², AI and robotic automation.

- 1 Quantum physics is the study of matter and energy at the most fundamental level, aiming to uncover the properties and behaviors of the very building blocks of nature. First-principles calculation is a method to calculate physical properties directly from basic physical quantities, such as the mass and charge, and the electrostatic force of an electron, based on the principle of quantum mechanics.
- 2 Our business does not involve quantum computing or the use of quantum computers, nor is quantum computing or the use of quantum computers a primary mode of our operations.

Management Discussion and Analysis

OVERVIEW

We are a globally leading, quantum physics-based, AI-powered, and robotics-driven, innovative R&D platform. We adopt a combination of quantum physics-based first-principles calculation, advanced AI, high-performance cloud computing, and scalable and standardised robotic automation to provide drug and material science R&D solutions and services to global conglomerates and innovative companies in the pharmaceutical and material science industries (including agritech, energy and new chemicals, and cosmetics) and beyond. For the six months ended 30 June 2024, we derived revenue from the provision of drug discovery solutions and intelligent automation solutions.

Drug discovery solutions. We principally provide drug discovery solutions to biotechnology and pharmaceutical companies in exchange for service fees as we deliver research results to our customers. We also expect to receive additional royalties, milestone or contingent payments if our collaboration programmes reach particular milestones or events contemplated in the respective contracts in the future, such as successful commercialisation in particular regions.

Intelligent automation solutions. Our intelligent automation solutions primarily consist of solid-state R&D services and automated chemical synthesis services. We generate revenue from intelligent automation solutions in the form of service fees.

The Ordinary Shares have been listed on the Main Board of the Stock Exchange since 13 June 2024. We are the first Specialist Technology Company listed under Chapter 18C of the Listing Rules.

BUSINESS REVIEW

Research and Development Progress

Large Model — Drug Discovery Solutions

- We have completed the construction of a single-cell large model for target discovery and drug screening. By building a basic model centred on single cells, we have enabled high-throughput drug screening at a lower cost and have developed an interpretable mechanism for target research leveraging external knowledge bases.
- We have established an mRNA display peptide library and screening technology for the screening of peptide drug molecules, including the screening of linear, monocyclic and bicyclic peptide binders based on drug targets. As of 30 June 2024, the encoded peptide library has reached a scale of 10^{12} – 10^{13} .
- We have developed a peptide molecule design platform based on a diffusion model to facilitate the generation of peptide molecules. The platform can quickly design peptide molecules based on specific epitopes within a protein structure, and supports the design of various peptide types, including the diffusion and generation of linear and cyclic peptides, and the generation of customised secondary structures, including helices and β -strands, with a cycle time of only 1 to 2 weeks.
- We have completed the development of our XtalFold2 algorithm which supports ultra-large complexes and enables structural prediction of protein complexes exceeding 2,000 amino acids, significantly broadening its application scope.

Management Discussion and Analysis

Large Model — Intelligent Automation Solutions

During the Reporting Period, we upgraded the robotic automatic wet lab platform, and built a future chemistry platform using large models in the field of chemistry, which is applied to the chemical reaction path, synthesis strategy recommendation and chemical experiments of biological medicines and material molecules, significantly improving the efficiency of traditional chemical experiments. During the Reporting Period, we made remarkable achievements in the core research elements of the platform, including intelligence, automation and digitalisation.

- In terms of digitalisation, we doubled our monthly R&D data collection capacity by optimising data collection standards and improving processes. Leveraging our self-developed automated synthesis platform and integrated reaction and monitoring system, we have built a new-generation chemical reaction big data generation platform and achieved the integration of reaction, filtration and analysis, thereby significantly enhancing our data production and reaction detection efficiency.
- In terms of intelligence, we trained over 10 AI models for predicting chemical reactions using our self-developed platform's real experimental data, achieving prediction accuracies exceeding 80% for three reaction types commonly used in pharmaceutical chemistry. Meanwhile, our model notably outperforms synthesis experts in judging failed reactions.
- In terms of automation, we employed AI technology to select building blocks and recommend reaction conditions in library synthesis, which greatly improves reaction success rates with a rate of over 90% in real-world business scenarios. In the first half of 2024, we successfully developed the first-generation LCMS spectrum analysis algorithm, which can independently identify the MS signals of target compounds and correct UV absorption coefficients through AI and quantum physics, thereby independently judging the content and separation difficulty of target compounds. Currently, this algorithm has been applied to more than 80% of our library synthesis business experiments to automatically determine results, with an accuracy rate exceeding 95% based on the results of manual sampling review. In our work with the Experimental Drug Development Centre (EDDC), Singapore's national platform for drug R&D hosted by the Agency for Science, Technology and Research (A*STAR), we redesigned our customers' synthetic routes tailored to their project characteristics. Based on our algorithm capabilities, we have designed and put into operation an automated multi-step high-efficiency solution faster than expected.
- We firmly believe that only by achieving commercial success can our R&D investment plays a new quality productive forces' role in promoting industry and societal development. Therefore, in addition to our heavy investment in technology R&D, we have also established an end-to-end digital platform integrating eight subsystems and incorporating processes such as procurement, quality control and compound library management, greatly enhancing our delivery efficiency.

Business Highlights

- One drug candidate we are developing in collaboration with META has obtained the Rare Pediatric Disease Designation (RPDD) from the U.S. Food and Drug Administration (FDA) for the treatment of Primary Hyperoxaluria (PH). Our strong AI and automation capabilities have accelerated and empowered the entire R&D process. This pipeline has entered into the pre-clinical candidate (PCC) stage and is scheduled to begin a phase I clinical safety evaluation for healthy subjects in Australia in the first half of 2025.
- The world's first targeted drug candidate for the treatment of diffuse gastric cancer, which we are developing in collaboration with Signet, has obtained an IND approval from the FDA. This is potentially the world's first innovative targeted drug integrating AI and organoid disease models. In the drug discovery and design processes, we designed and optimised a candidate compound with a novel molecular structure and superior comprehensive drug properties within just over six months based on the innovative targets discovered by Signet, significantly enhancing R&D efficiency. Subsequent to Signet's receipt of the IND approval, we received our first clinical milestone payment, which is a significant commercial milestone for us.

Management Discussion and Analysis

- Following our entry into a US\$250 million cooperation on AI-driven small-molecule drug discovery with a leading global pharmaceutical company headquartered in Indianapolis, which has been undergoing smoothly, we further expanded the collaboration into solid-state research during the Reporting Period.
- We successfully delivered our first “library synthesis” project, with repeat orders from existing major customers and stable growth in new product orders. By leveraging our chemical big data and large models, we continue to explore new business opportunities and expect promising applications in fine chemicals, catalysts and building blocks.
- Our tumour vaccine programme in cooperation with CK Life Science was presented in a poster at the American Association for Cancer Research conference in the United States in April 2024. An AI-empowered platform has been developed under this programme, to enhance the accuracy of immunogenicity prediction and to facilitate the design of more effective cancer vaccines based on the prediction results. The relevant pipeline has demonstrated good pre-clinical performance currently.
- In August 2024, we entered into a technical cooperation with N1 Life focusing on innovative drug delivery technology, which integrated peptide molecule design with artificial intelligence and our high-throughput and automatic screening platform, to develop a safer and more efficient drug delivery system for large-molecule drugs and nucleic acid drugs targeting ophthalmic diseases.
- In terms of large molecule business, we have so far signed contracts with over 20 customers worldwide, about half of which are overseas customers including large multinational pharmaceutical companies as well as small-and medium-sized biotechnology companies. These collaborations involve early-stage discovery of large molecule including antibody, antibody engineering and computing services based on AI models.
- In the first half of 2024, we launched our Ailux brand specifically for overseas market under our large molecule business. It has now established good market recognition through multi-level marketing activities, and becoming an iconic brand in the field of AI+ large molecule drugs.
- Up to now, the delivery success rate under our large molecule business is close to 100%, through which we have gradually established a good reputation with a high customer satisfaction and repurchase rate.
- Our business has made rapid strides in the field of new material R&D, including our XtalPi R&D solutions. We have achieved significant breakthroughs in AI-recommended electrolyte formulas, fully automated electrolyte R&D processes, fully automated organic synthesis workflows, high-throughput catalyst synthesis, pre-processing for catalyst analysis, innovative intelligent automated integration platforms for new TCM, development of new cosmetics and food ingredients, development of non-animal evaluation models, automated dispensing for high-throughput engineering bacterial powder, and fully automated sample pre-processing, enabling full-process automation, digitisation and intelligence. In the fields of power batteries, organic synthesis research, traditional Chinese medicine, the chemical industry, cosmetics and food, we provide safer, more efficient, and more reliable R&D and production tools and solutions to the industry and scientific research communities, helping them improve safety, efficiency and quality while jointly promoting development and progress in such fields and industries in China. Notably, our solutions in TCM active ingredient separation and analysis represent a first in China (see details in Prospects and Outlook below). The automation level of our organic synthesis systems far exceeds that of similar products in China. During the Reporting Period, we recorded revenue from new material R&D collaborations and engaged in negotiations and collaborations with several customers in respect of such solutions.

Management Discussion and Analysis

Other Corporate Development

Our Company has been selected and will be included as a constituent stock of the Hang Seng Composite Index, one of the benchmark indexes of the Stock Exchange, to be effective on 9 September 2024.

Our Company's ordinary shares, which trade on the Hong Kong Stock Exchange, have been included as eligible stocks in the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect programs, both effective on September 10, 2024, pursuant to the announcements made by the Shanghai Stock Exchange and the Shenzhen Stock Exchange, respectively.

PROSPECTS AND OUTLOOK

We will continue to strengthen our R&D capabilities and services for both drug discovery solutions and intelligent automation solutions. We received a clinical-stage milestone payment for our drug discovery solutions business in the first half of 2024 for the first time, marking a significant milestone in our path to commercialisation.

In addition, our business has also made notable commercial progress in terms of empowering new materials R&D with AI and automation. In August 2024, we entered into a strategic R&D collaboration agreement with GCL Group Co., Ltd. with a term of five years, under which GCL Group Co., Ltd. is expected to pay us R&D service fees of over US\$135 million (approximately RMB1 billion). The cooperation includes the joint development of various AI-based large model and robotic automation system in the field of new energy materials, and joint R&D to update new energy and new materials and to improve industrial upgrade.

In July 2024, we won the bid in respect of the construction of Guangdong provincial laboratory's innovation platform for intelligent automated integration of new TCMs, for a contract value of RMB44.9 million, aiming to establish the first fully automated platform for the separation and analysis of active TCM ingredients in China. This platform, powered by AI, automation and engineering, will provide an intelligent and automated system for the rapid construction of TCM chemical and active ingredient screening libraries, enabling fast and efficient analysis of data results, and real-time monitoring, tracking and tracing, fault alerts, and diagnostic analysis of system operations.

We will seize new industry opportunities. On 26 July 2024, the State-owned Assets Supervision and Administration Commission of the State Council held a meeting to promote central enterprises' large-scale equipment renewal work. According to the meeting, central enterprises are expected to invest over RMB3 trillion in the next five years to complete key tasks for large-scale equipment renewal with a focus on accelerating the development of the following five aspects: (1) accelerating the upgrades of advanced equipment; (2) expediting digital transformation and promoting the in-depth integration of AI and new technologies across all elements of manufacturing processes; (3) promoting green transformation; (4) strengthening intrinsic safety; and (5) reinforcing effective supply. In addition, the General Office of the Shanghai Municipal People's Government issued its Several Opinions on Supporting the Innovative Development of the Whole Chain of the Biomedical Industry (《關於支持生物醫藥產業全鏈條創新發展的若干意見》) on 30 July 2024, which expressly supported AI-empowered drug development and providing more intelligent application scenarios. By offering advanced AI technologies and digital, automated and intelligent solutions, we strive to empower our customers' diverse application scenarios to meet the diversified business needs of companies including state-owned companies, and seize more business cooperation opportunities, driving greater value for all our partners.

We will continue to expand our global footprint, primarily in the United States, Hong Kong, Southeast Asia, Europe and the Middle East. We will continue to hold advanced discussions about drug discovery solutions and intelligent automation solutions with leading international pharmaceutical companies.

Management Discussion and Analysis

As a leader in the AI-empowered and robot-enabled R&D of drugs and new materials, we always believe that by leveraging our technological advantages, outstanding and extensive customer base, continuous business development and commercialisation advancements, and our visionary management team, we are well-positioned to capture key market opportunities both globally and domestically. According to Frost & Sullivan, drug and material R&D integrating AI and robotic automation is expected to flourish in 2024 and beyond. According to the same source, as more global companies, including those in the pharmaceutical and materials science industries, invest heavily in AI and automation technologies for molecular discovery and collaborate with drug and new material discovery solution providers, we can expect strong global demand for our solutions and services.

Based on our business developments and market opportunities during the Reporting Period, as well as our development strategies, commercialisation plans and relevant analysis disclosed in the Prospectus, and subject to the reasonable estimates and assumptions disclosed in the Prospectus, we expect our revenue in 2024 would be largely similar to the revenue threshold of a Commercial Company (as defined under Chapter 18C of the Listing Rules), and we anticipate we will be able to qualify as a Commercial Company by 2025.

FINANCIAL REVIEW

The management discussion and analysis is based on our condensed consolidated interim financial information prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We generate revenue from the provision of (i) drug discovery solutions and (ii) intelligent automation solutions. We provide either standalone solutions or services or a combination of our solutions or services, depending on our customers’ needs.

The table below sets forth a breakdown of our revenue by business line:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Drug discovery solutions	60,850	36,096
Intelligent automation solutions	41,780	43,871
Total	102,630	79,967

Our revenue increased by 28.3% from RMB80.0 million for the six months ended 30 June 2023 to RMB102.6 million for the six months ended 30 June 2024.

Drug discovery solutions. Our revenue generated from our provision of drug discovery solutions increased by 68.6% from RMB36.1 million for the six months ended 30 June 2023 to RMB60.9 million for the six months ended 30 June 2024, primarily due to (i) the increase in the number of our customers for our drug discovery solutions, (ii) the increase in the number of revenue-generating programmes for our drug discovery solutions, and (iii) a milestone payment from a customer.

Intelligent automation solutions. Our revenue generated from intelligent automation solutions decreased slightly by 4.8% from RMB43.9 million for the six months ended 30 June 2023 to RMB41.8 million for the six months ended 30 June 2024, primarily due to the decrease in our revenue generated from solid-state R&D services, partially offset by the increase in our revenue generated from automated chemical synthesis services.

Management Discussion and Analysis

Research and Development Expenses

Our R&D expenses were incurred for R&D activities primarily in connection with our proprietary AI platform development and automation technologies. Our R&D expenses primarily consist of (i) R&D staff employee benefit expenses, which primarily comprise wages, salaries and bonuses, pensions costs and housing benefits and share-based compensation expenses; (ii) depreciation and amortisation expenses, which primarily comprise (a) depreciation of property, plant and equipment, including lab equipment and leasehold improvements to our R&D facilities, (b) depreciation of right-of-use assets in connection with our R&D facilities, and (c) amortisation in relation to system software licences which are classified as intangible assets used for our R&D activities; (iii) sample material costs, which primarily comprise costs of consumable materials and reagents for conducting experiments for our R&D programmes; (iv) network and cloud service expenses, which primarily comprise service fees paid for cloud service, information system service, software and network construction used for our R&D activities; and (v) professional service fees, which primarily include experimental testing fees, as we may engage third party institutions to conduct experiments and testing of materials to facilitate the R&D process when and where it is more efficient in terms of time and cost than running tests within our own R&D department.

We did not capitalise R&D expenses for the six months ended 30 June 2024.

The table below sets forth a breakdown of R&D expenses:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Employee benefits expenses	114,801	140,799
Depreciation and amortisation expenses	60,032	38,431
Sample material costs	7,943	19,352
Network and cloud service expenses	9,331	10,589
Professional service fees	6,171	10,852
Others	12,112	14,398
Total	210,390	234,421

Our R&D expenses decreased by 10.3% from RMB234.4 million for the six months ended 30 June 2023 to RMB210.4 million for the six months ended 30 June 2024, primarily attributable to the decrease in the number of R&D staff as a result of the enhanced capabilities of our technology platform and the increased efficiency in our R&D activities, as well as the decrease in sample material costs due to decreased consumption of materials in R&D activities after the validation of certain research platforms' capabilities.

General and Administrative Expenses

Our general and administrative expenses increased by 131.6% from RMB101.2 million for the six months ended 30 June 2023 to RMB234.3 million for the six months ended 30 June 2024, primarily due to the increases in share-based compensation expenses, listing expenses and depreciation and amortisation expenses. Share-based compensation expenses and depreciation and amortisation expenses are non-cash in nature. Listing expenses are expenses relating to the Global Offering and will not recur after the Listing.

Contract Fulfillment Costs

Our contract fulfillment costs represent the direct expenses incurred in relation to the fulfillment of our obligations under contracts with our customers.

Our contract fulfillment costs decreased slightly by 4.8% from RMB58.3 million for the six months ended 30 June 2023 to RMB55.5 million for the six months ended 30 June 2024 primarily attributable to our increased delivery efficiency.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 16.9% from RMB29.6 million for the six months ended 30 June 2023 to RMB34.6 million for the six months ended 30 June 2024, primarily due to the increases in share-based compensation expenses, which are non-cash in nature, and marketing expenses.

Other Income

Our other income increased by 447.6% from RMB7.7 million for the six months ended 30 June 2023 to RMB42.4 million for the six months ended 30 June 2024, primarily due to an increase in the government grants recognised as the corresponding recognition conditions were fulfilled.

Other Losses, Net

Our other losses, net decreased by 97.2% from RMB99.1 million for the six months ended 30 June 2023 to RMB2.8 million for the six months ended 30 June 2024, primarily attributable to the decreases in net foreign exchange losses and fair value losses on financial assets at FVTPL.

Finance Income, Net

Our finance income, net decreased by 30.3% from RMB46.9 million for the six months ended 30 June 2023 to RMB32.7 million for the six months ended 30 June 2024, primarily due to the decrease in interest income from our term deposits and cash and cash equivalents, contributed by the decrease in average balance of our term deposits and cash and cash equivalents in total for the six months ended 30 June 2024.

Changes in Fair Value of CRPS

Our fair value loss of CRPS increased by 278.7% from RMB231.2 million for the six months ended 30 June 2023 to RMB875.4 million for the six months ended 30 June 2024, primarily due to the increase in our Company's valuation. All of our CRPS were automatically converted into Ordinary Shares upon our Listing and no further gains or losses related to valuation changes in these instruments would be recorded after the conversion.

Loss for the Period

As the result of the abovementioned factors, especially the significant increase in the fair value loss of CRPS by RMB644.2 million, our net loss increased by RMB617.3 million, or 99.5%, from RMB620.3 million for the six months ended 30 June 2023 to RMB1,237.6 million for the six months ended 30 June 2024.

Management Discussion and Analysis

Non-IFRS Measure

In evaluating our business, we consider and use adjusted net loss, a non-IFRS financial measure, to supplement the review and assessment of our operating performance. We believe such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating the potential impact of certain items. We believe that the measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define adjusted net loss (non-IFRS measure) as net loss adjusted by adding back (i) changes in fair value of CRPS, (ii) share-based compensation expenses, and (iii) listing expenses. Share-based compensation expenses mainly represent expenses incurred in connection with our Pre-IPO ESOP, being the QuantumPharm Inc. 2021 Omnibus Incentive Plan. All of our CRPS were automatically converted into Ordinary Shares upon the Listing and no further gains or losses related to valuation changes in these instruments would be recorded after the conversion. These two reconciling items are non-cash items. Listing expenses are expenses related to the Global Offering.

The following table sets forth our adjusted net loss (non-IFRS measure) for the periods indicated:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(1,237,550)	(620,297)
Add:		
Changes in fair value of CRPS	875,356	231,164
Share-based compensation expenses	78,922	31,611
Listing expenses	31,876	—
Adjusted net loss (non-IFRS measure)	(251,396)	(357,522)

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Financial Assets at FVTPL

The balance of our financial assets at FVTPL (including both current and non-current portions) increased by 62.1% from RMB1,287.4 million as of 31 December 2023 to RMB2,087.0 million as of 30 June 2024, primarily due to the increase in our investments in wealth management products.

Trade Receivables

Our trade receivables, net of credit loss allowance, increased by 52.0% from RMB38.5 million as of 31 December 2023 to RMB58.5 million as of 30 June 2024, primarily contributed by our revenue growth.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables (including both current and non-current portions) decreased by 26.1% from RMB66.1 million as of 31 December 2023 to RMB48.8 million as of 30 June 2024, primarily due to certain prepayments of R&D equipment and leasehold improvements were transferred to property, plant and equipment which went through inspection and acceptance procedure and the receipt of value-added tax credit refunds during the Reporting Period.

Management Discussion and Analysis

CRPS

All of our CRPS were converted into Ordinary Shares upon our Listing. As a result, we had nil liabilities in relation to CRPS as of 30 June 2024, as compared with RMB10,780.3 million as of 31 December 2023.

Deferred Government Grants

Our deferred government grants (including both current and non-current portions) decreased by 26.7% from RMB39.5 million as of 31 December 2023 to RMB28.9 million as of 30 June 2024, primarily due to the recognition of government grants as the corresponding recognition conditions were fulfilled during the Reporting Period.

Trade Payables

Our trade payables decreased by 43.6% from RMB13.7 million as of 31 December 2023 to RMB7.7 million as of 30 June 2024, primarily due to an increase in the settled trade payables.

Other Payables and Accruals

Other payables and accruals decreased by 27.0% from RMB131.3 million as of 31 December 2023 to RMB95.8 million as of 30 June 2024, primarily because we settled year-end bonuses of our employees accrued as of 31 December 2023 during the Reporting Period.

Short-Term Bank Borrowings

Our bank borrowings increased by 8.2% from RMB60.0 million as of 31 December 2023 to RMB64.9 million as of 30 June 2024, reflecting the net increased balance of our bank borrowings. Our bank borrowings as of 30 June 2024 were denominated in Renminbi, repayable within one year, and guaranteed by our subsidiaries and one patent held by one of our subsidiaries, all of which carried fixed interest rate, ranging from 2.55% to 3.5% per annum.

Net current assets

We had net current assets of RMB2,648.0 million as of 31 December 2023 and RMB3,286.2 million as of 30 June 2024. The 24.1% increase in our net current assets was primarily contributed by our proceeds from the Global Offering.

Net Cash Position

We recorded a net cash position, calculated by deducting our current liabilities from the sum of our cash and cash equivalents, current portion of term deposits, current portion of financial assets at FVTPL and restricted cash, as of 30 June 2024.

Gearing Ratio

Our gearing ratio is calculated using total liabilities divided by equity and multiplied by 100%. As of 30 June 2024, our gearing ratio was 7.8%. (As of 31 December 2023: -155.3%, primarily attributable to the liabilities relating to our CRPS, which had been automatically converted into Ordinary Shares and resulted in a significant increase in equity upon the Listing.)

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended 30 June 2024, we financed our capital expenditure and working capital requirements primarily through capital contributions from our shareholders and cash inflows from our business operations. We intend to continue relying on cash flows from operations and those from financing activities including net proceeds from the Global Offering. As of 30 June 2024, the sum of our cash and cash equivalents, current portion of term deposits, current portion of financial assets at FVTPL and restricted cash was RMB3,377.1 million, as compared with RMB2,827.8 million as of 31 December 2023. The cash and cash equivalents of the Group were mainly denominated in HK\$, US\$ and RMB.

With respect to cash management, we have established capital and investment policies, such as our capital management policy (資金管理制度), to monitor and manage our settlement activities and financing activities (including broadening and diversification of fundraising channels and cash management tools), and to control the risks relating to bank deposits and/or the purchase of financial instruments. We place term deposits and/or purchase financial instruments only when we have spare cash in addition to sufficient cash for our operations and in the best interest of our Company.

Description of Selected Items from Condensed Consolidated Statement of Cash Flows

Net cash used in operating activities

Our net cash used in operating activities remained relatively stable at RMB299.3 million for the six months ended 30 June 2024 as compared with RMB299.0 million for the six months ended 30 June 2023.

Net cash generated from investing activities

Our net cash generated from investing activities decreased by 93.8% from RMB788.0 million for the six months ended 30 June 2023 to RMB48.7 million for the six months ended 30 June 2024, primarily due to (i) the decrease in proceeds from maturity of term deposits of RMB1,778.4 million, and (ii) the decrease in proceeds from disposal of financial assets at FVTPL of RMB1,148.9 million; partially offset by (i) the decrease in placement of term deposits RMB1,951.2 million and (ii) the decrease in additions of investments in financial assets at FVTPL of RMB272.7 million.

Net cash generated from/(used in) financing activities

Our net cash used in financing activities was RMB20.1 million for the six months ended 30 June 2023, primarily due to our payment of lease. Our net cash generated from financing activities was RMB828.1 million for the six months ended 30 June 2024, primarily due to our gross proceeds from the Global Offering of RMB901.1 million.

CONTINGENT LIABILITIES

For the six months ended 30 June 2024 and 2023, we did not have material contingent liabilities that were expected to materially and adversely affect our financial condition or results of operations.

Management Discussion and Analysis

RESEARCH AND DEVELOPMENT EXPENDITURE

For the six months ended 30 June 2023 and 2024, our R&D expenditure primarily consisted of R&D expenses adjusted by adding back intangible assets acquired from third parties and capitalised, and deducting amortisation expenses for capitalised intangible assets included in R&D expenditure. The table below sets forth our R&D expenditure for the periods indicated:

For the six months ended 30 June

	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
R&D expenses	210,390	234,421
Adjustments:		
Add: Intangible assets acquired from third parties and capitalised	1,735	4,332
Less: Amortisation expenses of capitalised intangible assets included in R&D expenditure	(1,212)	(2,207)
R&D expenditure	210,913	236,546

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

We regularly incur capital expenditures to expand our operations and upgrade our facilities. For the six months ended 30 June 2023 and 2024, we incurred capital expenditures of RMB41.6 million and RMB34.2 million, respectively, primarily consisting of expenditures on property, plant and equipment, and intangible assets.

Capital Commitments

Our capital commitments represented capital expenditure in respect of short-term lease commitment. As of 31 December 2023 and 30 June 2024, we had capital commitments related to capital expenditure in respect of short-term lease commitment of RMB3.0 million and RMB1.1 million, respectively.

FOREIGN EXCHANGE

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not our entities' functional currency. Our functional currency is USD. Our primary subsidiaries were incorporated in the PRC and these subsidiaries consider RMB their functional currency. We closely monitor our foreign exchange exposures and will take actions as necessary to mitigate the impact of exchange rate fluctuations.

PLEDGE OF ASSETS

As of 30 June 2024, one patent held by one of our subsidiaries was pledged by our Group. (As at 31 December 2023: one patent held by one of our subsidiaries was pledged by our Group.)

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed below, there were no other significant investments held, and no material acquisitions or disposals of subsidiaries, associates or joint ventures for the six months ended 30 June 2024. (For the six months ended 30 June 2023: nil.)

Management Discussion and Analysis

The following table summarises the information regarding the Group's investments classified as financial assets at FVTPL with a carrying amount that accounted for 5% or more of the Group's total assets as of 30 June 2024:

Product invested	Description of the underlying investments	Principal amount held as of 30 June 2024	Cost of investment	Fair value as of 30 June 2024	Percentage of fair value relative to total assets	Fair value gain during the six months ended 30 June 2024 (unrealised)
		RMB (million)	RMB (million)	RMB (million)		RMB (million)
Notes issued by China Securities (International) Asset Management Company Limited	The product primarily invests in US Dollar short-term deposit or notes issued by government, quasi government, international organisations and financial institutions.	429.2	429.2	437.0	9.8%	7.8
Notes issued by Fosun Hani Global Limited	The product primarily invests in US Dollar time deposit, US treasury bill, US treasury note and US treasury bond, fixed rate notes and private equity assets.	426.3	426.3	431.9	9.7%	4.3

The investments in wealth management products under financial assets at FVTPL were made for treasury management purposes to maximise return on idle funds held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

We did not have any plan for material investments or acquisition of capital assets other than the above mentioned and those mentioned in the Prospectus during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2024, we had a total of 760 employees. For the Reporting Period, the total remuneration cost incurred by the Group was RMB315.5 million.

The remuneration of our Group's employees comprises salaries, bonuses, employees' provident fund, share-based payment, and social security contributions and other welfare payments, which are determined by their responsibilities, qualifications, positions and seniority. In accordance with applicable laws and regulations, we make contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for the Group's employees.

We provide formal and comprehensive company-level and department-level training to our new employees, followed by on-the-job training. We also provide training and development programs to our employees from time-to-time to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by departments serving different functions but working with or supporting each other in our day-to-day operations.

Management Discussion and Analysis

USE OF PROCEEDS FROM LISTING

In connection with the Company's Global Offering, 187,373,000 Shares with a nominal value of US\$0.00001 each were issued at a price of HK\$5.28 per Share.

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting commissions and other related expenses paid or payable by the Company in connection with the Listing and without taking into account the exercise of the over-allotment option) amounted to approximately HK\$888.2 million, which is reflected in the Interim Financial Information. The net proceeds from the Listing will be utilised in accordance with the purposes and timetable set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Any additional net proceeds from the partial exercise of the over-allotment option will be allocated by the Company on a pro rata basis to the purposes mentioned above. See "Subsequent Events" for details of the partial exercise of the over-allotment option.

As of 30 June 2024, the net proceeds had not been applied for any use. An analysis of the utilisation of the net proceeds as of 30 June 2024 is set out below:

Use of proceeds from Listing	Amount of net proceeds for planned applications (HK\$ million)	Percentage of total net proceeds	Utilized net proceeds as of 30 June 2024 (HK\$ million)	Unutilized net proceeds as of 30 June 2024 (HK\$ million)	Expected time frame of unutilized amount
Enhancing R&D capabilities and solutions provision	666.2	75.0%	–	666.2	
(i) upgrading and optimizing the quantum physics-based closed-loop integrated technology platform:					
– recruit automation-related talents and compound talents	88.8	10.0%	–	88.8	By 2029
– build automated workstations, centrifuges and other ancillary equipment	88.8	10.0%	–	88.8	By 2029
– build an intelligent computing center and further upgrade and improve the intelligent computing resource allocation system	177.6	20.0%	–	177.6	By 2029

Management Discussion and Analysis

Use of proceeds from Listing	Amount of net proceeds for planned applications (HK\$ million)	Percentage of total net proceeds	Utilized net proceeds as of 30 June 2024 (HK\$ million)	Unutilized net proceeds as of 30 June 2024 (HK\$ million)	Expected time frame of unutilized amount
(ii) enhancing the ability to develop solutions in the biotechnology, pharmaceutical, materials science (including agritech, energy and new chemicals, and cosmetics):					
– recruit five professionals in the biotechnology and pharmaceutical sectors and build a team that can fully operate and support the R&D and delivery of materials	133.2	15.0%	–	133.2	By 2029
– purchase protein chromatography purifiers, cryo-EM accessories, flow cytometers, mass spectrometers, microplate readers and other instruments	106.6	12.0%	–	106.6	By 2029
(iii) lease of properties for and improvements of the R&D centers in Shanghai and Shenzhen	71.1	8.0%	–	71.1	By 2029
Improving commercialization capability in and beyond China	133.2	15%	–	133.2	
(i) expanding business development and marketing team with a focus on development of relationship with potential customers that are famous pharmaceutical companies/contract research organization/contract development and manufacturing organization in China and overseas countries or regions, especially in the United States	71.1	8%	–	71.1	By 2029
(ii) business development activities overseas in addition to the recruitment of business development and marketing staff as mentioned above	62.2	7%	–	62.2	By 2029
For working capital and general corporate purposes	88.8	10%	–	88.8	By 2029
Total	888.2	100%	–	888.2	

As of 30 June 2024, the Directors were not aware of any material change in the planned use of the net proceeds. All the unused net proceeds have been deposited in short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions maintained by the Group. The above expected time frame of unutilized amount is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group and the market conditions.

Corporate Governance and Other Information

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

As of 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares and underlying Shares

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares ⁽¹⁾	Percentage of shareholding in the Company ⁽²⁾
Dr. Wen Shuhao	Beneficial owner ⁽³⁾	81,093,362 (L)	2.38%
	Founder of trust ⁽⁴⁾	222,126,400 (L)	6.52%
		28,105,000 (S)	0.82%
	Interest in controlled corporation ⁽⁵⁾⁽⁶⁾	508,763,783 (L)	14.93%
Dr. Ma Jian	Beneficial owner ⁽⁷⁾	45,230,342 (L)	1.33%
	Founder of trust ⁽⁸⁾	122,908,500 (L)	3.61%
	Interest in controlled corporation ⁽⁹⁾	59,103,125 (L)	1.73%
Dr. Lai Lipeng	Beneficial owner ⁽¹⁰⁾	32,315,661 (L)	0.95%
	Founder of trust ⁽¹¹⁾	87,814,140 (L)	2.58%
Dr. Jiang Yide Alan	Founder of trust ⁽¹²⁾	3,800,000 (L)	0.11%
	Beneficiary of trust ⁽¹³⁾	3,800,000 (L)	0.11%
	Interest in controlled corporation ⁽¹⁴⁾	2,400,000 (L)	0.07%

Notes:

- (1) The letter "L" denotes long positions and the letter "S" denotes short positions.
- (2) Calculated based on 3,406,772,761 Shares in issue as of 30 June 2024.
- (3) Representing 81,093,362 Shares underlying the options granted to Dr. Wen Shuhao under the Pre-IPO ESOP.
- (4) QuantumPharm Holdings is held as to 99% by WSH Family Holdings, which is a holding vehicle wholly owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the WSH Family Trust, a discretionary trust established by Dr. Wen Shuhao as settlor. Under the SFO, Dr. Wen Shuhao is deemed to have a long position in 222,126,400 Shares and a short position in 28,105,000 Shares that were held by QuantumPharm Holdings.
- (5) QuantumPharm Roc, the shareholding platform for the Pre-IPO ESOP which holds the Shares underlying the options granted thereunder for the benefit of the grantees, is wholly owned by QuantumPharm Holdings. Under the SFO, Dr. Wen Shuhao is deemed to be interested in the 298,041,143 Shares in which QuantumPharm Roc is interested.
- (6) Pursuant to the powers of attorney executed by (i) Dr. Ma Jian and Crete Helix; and (ii) Dr. Lai Lipeng and SevensingBAlpha in favor of Dr. Wen Shuhao and QuantumPharm Holdings, QuantumPharm Holdings is authorized to exercise all the voting rights attached to the Shares held by Crete Helix and SevensingBAlpha. Under the SFO, Dr. Wen Shuhao is deemed to be interested in the 122,908,500 Shares in which Crete Helix is interested and the 87,814,140 Shares in which SevensingBAlpha is interested.

Corporate Governance and Other Information

- (7) Representing 45,230,342 Shares underlying the options granted to Dr. Ma Jian under the Pre-IPO ESOP.
- (8) Crete Helix is held as to 99% by MH International Holdings, which is a holding vehicle wholly owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the MH Fund Trust, a discretionary trust established by Dr. Ma Jian as settlor. Under the SFO, Dr. Ma Jian is deemed to be interested in the 122,908,500 Shares in which Crete Helix is interested.
- (9) Representing 59,103,125 Shares underlying the options granted under the Pre-IPO ESOP held by QuantumPharm Employee Holdings, a holding vehicle wholly owned by the trustee of the QuantumPharm Employee Benefit Trust for the benefit of 13 employees and ex-employees of the Group. In accordance with the terms of the trust deed of the QuantumPharm Employee Benefit Trust dated 28 June 2021, Dr. Ma Jian, being the sole member of the advisory committee established by the Company, has the sole power to make all decisions relating to the exercise of any voting and other rights of the properties held under the trust and to give instructions and directions to the trustee for the execution of such decisions.
- (10) Representing 32,315,661 Shares underlying the options granted to Dr. Lai Lipeng under the Pre-IPO ESOP.
- (11) SevensingBAlpha is held as to 99% by LPHappy Holding, which is a holding vehicle wholly owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the LPHappy Family Trust, a discretionary trust established by Dr. Lai Lipeng as settlor. Under the SFO, Dr. Lai Lipeng is deemed to be interested in the 87,814,140 Shares in which SevensingBAlpha is interested.
- (12) Representing 3,800,000 Shares underlying the options granted under the Pre-IPO ESOP which are held by a spousal lifetime access trust established by Dr. Jiang Yide Alan for the benefit of his spouse. Under the SFO, Dr. Jiang Yide Alan is deemed to be interested in the Shares in which the aforesaid trust is interested.
- (13) Representing 3,800,000 Shares underlying the options granted under the Pre-IPO ESOP which are held by a spousal lifetime access trust established by the spouse of Dr. Jiang Yide Alan for the benefit of Dr. Jiang Yide Alan. Under the SFO, Dr. Jiang Yide Alan is deemed to be interested in the Shares in which the aforesaid trust is interested.
- (14) Representing 2,400,000 Shares underlying the options granted under the Pre-IPO ESOP which are held by ASJX Envision LLC. ASJX Envision LLC is held as to 40% by a revocable trust established by Dr. Jiang Yide Alan, 40% by a revocable trust established by the spouse of Dr. Jiang Yide Alan and 20% by a family trust established by them. Under the SFO, Dr. Jiang Yide Alan is deemed to be interested in the Shares in which ASJX Envision LLC is interested.

Save as disclosed above, as of 30 June 2024, to the best knowledge of the Directors and chief executive of the Company, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2024, so far as the Directors were aware, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 362 of the SFO, to be entered in the register referred to therein:

Interests in the Shares

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Percentage of shareholding in the Company ⁽²⁾
WSH Family Holdings Limited	Interest in controlled corporation ⁽³⁾	730,890,183 (L)	21.45%
		28,105,000 (S)	0.82%
TMF (Cayman) Ltd.	Trustee of trusts ⁽³⁾	730,890,183 (L)	21.45%
		28,105,000 (S)	0.82%
QuantumPharm Holdings Limited	Beneficial owner	222,126,400 (L)	6.52%
	Interest in controlled corporation ⁽⁴⁾⁽⁵⁾	28,105,000 (S)	0.82%
QuantumPharm Roc Holdings Limited	Beneficial owner	508,763,783 (L)	14.93%
		298,041,143 (L)	8.75%
Tencent Holdings Limited	Interest in controlled corporation ⁽⁶⁾	439,866,580 (L)	12.91%
Image Frame Investment (HK) Limited	Beneficial owner	439,866,580 (L)	12.91%
HSG Venture VI Holdco, Ltd.	Beneficial owner	203,444,338 (L)	5.97%
HongShan Capital Venture Fund VI, L.P.	Interest in controlled corporation ⁽⁷⁾	203,444,338 (L)	5.97%
HSG Venture VI Management, L.P.	Interest in controlled corporation ⁽⁷⁾	203,444,338 (L)	5.97%
HSG Holding Limited	Interest in controlled corporation ⁽⁷⁾⁽⁸⁾	265,823,991 (L)	7.8%
SNP China Enterprises Limited	Interest in controlled corporation ⁽⁷⁾⁽⁸⁾	265,823,991 (L)	7.8%
Shen Nan Peng	Interest in controlled corporation ⁽⁷⁾⁽⁸⁾⁽⁹⁾	282,182,729 (L)	8.28%
China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership)	Beneficial owner	235,552,877 (L)	6.91%
China Life Chengda (Shanghai) Healthcare Equity Investment Management Co., Ltd.	Interest in controlled corporation ⁽¹⁰⁾	235,552,877 (L)	6.91%

Corporate Governance and Other Information

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Percentage of shareholding in the Company ⁽²⁾
China Life Insurance (Group) Company	Interest in controlled corporation ⁽¹⁰⁾	235,552,877 (L)	6.91%
China Life Insurance Company Limited	Interest in controlled corporation ⁽¹⁰⁾	235,552,877 (L)	6.91%
5Y Capital GP Limited	Interest in controlled corporation ⁽¹¹⁾	255,712,255 (L)	7.51%
Liu Qin	Interest in controlled corporation ⁽¹¹⁾	255,712,255 (L)	7.51%
Ni Yuanyuan	Interest of spouse ⁽¹²⁾	255,712,255 (L)	7.51%
Shi Jianming	Interest in controlled corporation ⁽¹¹⁾	255,712,255 (L)	7.51%
Lou Yiting	Interest of spouse ⁽¹³⁾	255,712,255 (L)	7.51%

Notes:

- (1) The letter “L” denotes long positions and the letter “S” denotes short positions.
- (2) Calculated based on 3,406,772,761 Shares in issue as of 30 June 2024.
- (3) QuantumPharm Holdings is held as to 99% by WSH Family Holdings, which is a holding vehicle wholly owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd., being the trustee of the WSH Family Trust, a discretionary trust established by Dr. Wen Shuhao as settlor. Under the SFO, each of WSH Family Holdings and TMF (Cayman) Ltd. is deemed to be interested in the Shares in which QuantumPharm Holdings is interested.
- (4) QuantumPharm Roc, being the shareholding platform for the Pre-IPO ESOP which holds the Shares underlying the options granted thereunder for the benefit of the grantees, is wholly owned by QuantumPharm Holdings. Under the SFO, QuantumPharm Holdings is deemed to be interested in the 298,041,143 Shares in which QuantumPharm Roc is interested.
- (5) Pursuant to the powers of attorney executed by (i) Dr. Ma Jian and Crete Helix; and (ii) Dr. Lai Lipeng and SevensingBAAlpha in favor of Dr. Wen Shuhao and QuantumPharm Holdings, QuantumPharm Holdings is authorized to exercise all the voting rights attached to the Shares held by Crete Helix and SevensingBAAlpha. Under the SFO, QuantumPharm Holdings is deemed to be interested in the 122,908,500 Shares in which Crete Helix is interested and the 87,814,140 Shares in which SevensingBAAlpha is interested.
- (6) Tencent Holdings Limited is the sole member of Image Frame Investment (HK) Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in the Shares in which Image Frame Investment (HK) Limited is interested.
- (7) HSG Venture VI Holdco, Ltd. is wholly owned by HongShan Capital Venture Fund VI, L.P., whose general partner is HSG Venture VI Management, L.P.. The general partner of HSG Venture VI Management, L.P. is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Shen Nan Peng is the sole shareholder of SNP China Enterprises Limited. Under the SFO, each of HongShan Capital Venture Fund VI, L.P., HSG Venture VI Management, L.P., HSG Holding Limited, SNP China Enterprises Limited and Shen Nan Peng is deemed to be interested in the 203,444,338 Shares in which HSG Venture VI Holdco, Ltd. is interested.
- (8) HSG Venture VIII Holdco, Ltd. is wholly owned by HongShan Capital Venture Fund VIII, L.P., whose general partner is HSG Venture VIII Management, L.P. HSG Growth VI Holdco E, Ltd. is wholly owned by HongShan Capital Growth Fund VI, L.P., whose general partner is HSG Growth VI Management, L.P.. The general partner of each of HSG Venture VIII Management, L.P. and HSG Growth VI Management, L.P. is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Shen Nan Peng is the sole shareholder of SNP China Enterprises Limited. Under the SFO, each of HSG Holding Limited, SNP China Enterprises Limited and Shen Nan Peng is deemed to be interested in the 13,303,439 Shares in which HSG Venture VIII Holdco, Ltd. is interested and the 49,076,214 Shares in which HSG Growth VI Holdco E, Ltd. is interested.

Corporate Governance and Other Information

- (9) HCHP Holdco, Ltd. is wholly owned by HCHP Master Fund, which is managed by HCHP Management Limited as investment manager, which is in turn wholly owned by HCHP Management Holding Limited. The majority voting rights of HCHP Management Holding Limited are indirectly held by its non-executive director, Shen Nan Peng. Under the SFO, Shen Nan Peng is deemed to be interested in the 16,358,738 Shares in which HCHP Holdco, Ltd. is interested.
- (10) The general partner of China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (“**China Life Chengda**”) is China Life Chengda (Shanghai) Healthcare Equity Investment Management Co., Ltd., a limited liability company indirectly owned by China Life Insurance (Group) Company. The ultimate limited partner and the largest limited partner of China Life Chengda is China Life Insurance Company Limited, a company listed on the Stock Exchange (stock code: 2628) and the Shanghai Stock Exchange (stock code: 601628), which is under the Ministry of Finance of the PRC. Under the SFO, each of China Life Chengda (Shanghai) Healthcare Equity Investment Management Co., Ltd., China Life Insurance (Group) Company, China Life Insurance Company Limited is deemed to be interested in the Shares in which China Life Chengda is interested.
- (11) Evolution Fund I, L.P., Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P., are exempted limited partnerships established under the laws of the Cayman Islands and are controlled by 5Y Capital GP Limited, as their general partner. Each of Liu Qin and Shi Jianming is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting. Under the SFO, each of 5Y Capital GP Limited, Liu Qin and Shi Jianming is deemed to be interested in the Shares in which Evolution Fund I, L.P., Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P. are interested.
- (12) Ni Yuanyuan is the spouse of Liu Qin. Under the SFO, Ni Yuanyuan is deemed to be interested in the Shares in which Liu Qin is interested.
- (13) Lou Yiting is the spouse of Shi Jianming. Under the SFO, Lou Yiting is deemed to be interested in the Shares in which Shi Jianming is interested.

Save as disclosed above, as of 30 June 2024, the Directors were not aware of any other person (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 362 of the SFO, to be entered in the register referred to therein.

Corporate Governance and Other Information

LOCK-UP

Based on information that is publicly available to the Company or otherwise within the knowledge of the Directors, the following Shares are subject to disposal restrictions pursuant to Rule 18C.14 of the Listing Rules as of the latest practicable date prior to the issue of this interim report:

Key Persons (as defined under Rule 18C.14 of the Listing Rules)

Name	Number of Shares held in the Company subject to lock-up undertakings upon Listing	Percentage of shareholding in the Company subject to lock-up undertakings upon Listing ⁽¹⁾	Last day subject to the lock-up undertakings
Dr. Wen Shuhao ⁽²⁾	222,126,400 ⁽³⁾	6.51%	12 June 2026 ⁽¹¹⁾
	81,093,362 ⁽⁴⁾	2.38%	12 June 2026 ⁽¹¹⁾
	22,000,000 ⁽⁵⁾	0.64%	12 June 2026 ⁽¹¹⁾
Dr. Ma Jian ⁽²⁾	122,908,500 ⁽⁶⁾	3.60%	12 June 2026 ⁽¹¹⁾
	45,230,342 ⁽⁷⁾	1.33%	12 June 2026 ⁽¹¹⁾
	59,103,125 ⁽⁸⁾	1.73%	12 June 2026 ⁽¹¹⁾
Dr. Lai Lipeng ⁽²⁾	87,814,140 ⁽⁹⁾	2.57%	12 June 2026 ⁽¹¹⁾
	32,315,661 ⁽¹⁰⁾	0.95%	12 June 2026 ⁽¹¹⁾
Subtotal	672,591,530	19.70%	

Notes:

- (1) Calculated based on 3,413,523,761 Shares in issue as of the latest practicable date prior to the issue of this interim report.
- (2) Each of Dr. Wen Shuhao, Dr. Ma Jian and Dr. Lai Lipeng is a co-founder of the Company and an executive Director.
- (3) Representing the Shares held by QuantumPharm Holdings. QuantumPharm Holdings is held as to 99% by WSH Family Holdings, which is a holding vehicle wholly owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the WSH Family Trust, a discretionary trust established by Dr. Wen Shuhao as settlor.
- (4) Representing the Shares held by QuantumPharm Roc underlying outstanding options held by Dr. Wen Shuhao. Such Shares will be transferred by QuantumPharm Roc to Dr. Wen Shuhao upon the exercise of the options and continue to be subject to the disposal restrictions. For further details, please refer to the sections headed "History, Development and Corporate Structure" and "Underwriting" in the Prospectus.
- (5) Representing the Shares held by QuantumPharm Roc underlying outstanding options held by Dr. Jiang Yide Alan (and his close associates) and Mr. Tam Man Hong. Such Shares will be transferred by QuantumPharm Roc to them upon the exercise of the options and continue to be subject to the disposal restrictions. Pursuant to the powers of attorney granted by Mr. Tam Man Hong and Dr. Jiang Yide Alan in favor of Dr. Wen Shuhao on 28 May 2024, respectively, Dr. Wen Shuhao is unconditionally, indefinitely and irrevocably authorized and appointed to exercise all the voting rights attached to: (i) the Shares underlying the vested outstanding options owned by them; and (ii) the Shares transferred or issued to them upon the exercise of the vested outstanding options, except for any matter the outcome of the vote on which will disproportionately, materially and adversely affect the grantors, as compared to Dr. Wen Shuhao or any other Shareholder. The powers of attorney shall be valid from the Listing Date for an indefinite term. Each of Mr. Tam Man Hong and Dr. Jiang Yide Alan, being the key persons of the Company, have provided undertakings to each of the Stock Exchange and the Company regarding the disposal of securities pursuant to Rule 18C.14(1) of the Listing Rules. For further details, please refer to the sections headed "History, Development and Corporate Structure" and "Underwriting" in the Prospectus.

Corporate Governance and Other Information

- (6) Representing the Shares held by Crete Helix. Crete Helix is held as to 99% by MH International Holdings, which is a holding vehicle wholly owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the MH Fund Trust, a discretionary trust established by Dr. Ma Jian as settlor.
- (7) Representing the Shares held by QuantumPharm Roc underlying outstanding options held by Dr. Ma Jian. Such Shares will be transferred by QuantumPharm Roc to Dr. Ma Jian upon the exercise of the options and continue to be subject to the disposal restrictions. For further details, please refer to the sections headed “History, Development and Corporate Structure” and “Underwriting” in the Prospectus.
- (8) Representing the Shares held by QuantumPharm Roc underlying options held by QuantumPharm Employee Holdings, a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust, a discretionary trust established for the purposes of managing and administering the outstanding options granted to Dr. Zhang Peiyu, a member of senior management, and 12 other employees and ex-employees of the Group. Such options have been irrevocably settled into the QuantumPharm Employee Benefit Trust under the terms of its trust deed dated 28 June 2021. Under the terms of the trust deed, Dr. Ma Jian, being the sole member of the advisory committee established by the Company, has the sole power to make all decisions relating to the exercise of any voting and other rights of the properties (including the exercise of the options) held under the trust and to give instructions and directions to the trustee for the execution of such decisions without the need to seek for consent from the beneficiaries, and the beneficiaries have no right to sell, bequeath or transfer any trust property. Dr. Zhang Peiyu, being a key person of the Company, has provided an undertaking to the Stock Exchange and the Company regarding the disposal of securities pursuant to Rule 18C.14(1) of the Listing Rules. For further details, please refer to the sections headed “History, Development and Corporate Structure” and “Underwriting” in the Prospectus.
- (9) Representing the Shares held by SeveningBAAlpha. SeveningBAAlpha is held as to 99% by LPHappy Holding, which is a holding vehicle wholly owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd. is the trustee of the LPHappy Family Trust, a discretionary trust established by Dr. Lai Lipeng as settlor.
- (10) Representing the Shares held by QuantumPharm Roc underlying outstanding options held by Dr. Lai Lipeng. Such Shares will be transferred by QuantumPharm Roc to Dr. Lai Lipeng upon the exercise of the options and continue to be subject to the disposal restrictions. For further details, please refer to the sections headed “History, Development and Corporate Structure” and “Underwriting” in the Prospectus.
- (11) The expiry date of the lock-up period shown is pursuant to Rule 18C.14(1) of the Listing Rules. In the event that upon the notification by the Stock Exchange that the Company will no longer be regarded as a Pre-Commercial Company after the Listing, the lock-up period will expire on the later of: (i) the date which is 12 months from the Listing Date; and (ii) the date falling on the 30th day after the announcement on the removal of designation as a Pre-Commercial Company as required under Rule 18C.24 of the Listing Rules.

Corporate Governance and Other Information

Undertaking Providers

Name	Number of Shares held in the Company subject to lock-up undertakings upon Listing	Percentage of shareholding in the Company subject to lock-up undertakings upon Listing ⁽¹⁾	Last day subject to the lock-up undertakings
Image Frame Investment (HK) Limited	439,866,580	12.89%	12 June 2025 ⁽³⁾
HSG Venture VI Holdco, Ltd.	203,444,338	5.96%	12 June 2025 ⁽³⁾
HSG Growth VI Holdco E, Ltd.	49,076,214	1.44%	12 June 2025 ⁽³⁾
HCHP Holdco, Ltd. ⁽²⁾	16,358,738	0.48%	12 June 2025 ⁽³⁾
HSG Venture VIII Holdco, Ltd.	13,303,439	0.39%	12 June 2025 ⁽³⁾
Evolution Fund I, L.P.	137,008,547	4.01%	12 June 2025 ⁽³⁾
Evolution Special Opportunity Fund I, L.P.	85,349,937	2.50%	12 June 2025 ⁽³⁾
Evolution Fund I Co-investment, L.P.	33,353,771	0.98%	12 June 2025 ⁽³⁾
China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership)	235,552,877	6.90%	12 June 2025 ⁽³⁾
Beijing PICC Health & Pension Industry Investment Fund (Limited Partnership)	119,730,945	3.51%	12 June 2025 ⁽³⁾
Subtotal	1,333,045,386	39.05%	

Notes:

- (1) Calculated based on 3,413,523,761 Shares in issue as of the latest practicable date prior to the issue of this interim report.
- (2) Save for HCHP Holdco, Ltd., which is a close associate of a Pathfinder SII, the other undertaking providers are Pathfinder SII's of the Company.
- (3) The expiry date of the lock-up period shown is pursuant to Rule 18C.14(2) of the Listing Rules. In the event that upon the notification by the Stock Exchange that the Company will no longer be regarded as a Pre-Commercial Company after the Listing, the lock-up period will expire on the later of: (i) the date which is six months from the Listing Date; and (ii) the date falling on the 30th day after the announcement on the removal of designation as a Pre-Commercial Company as required under Rule 18C.24 of the Listing Rules.

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

The Ordinary Shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. During the period from the Listing Date to 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As of 30 June 2024, the Company did not hold any treasury shares.

Corporate Governance and Other Information

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its own code of conduct for dealings in the securities of the Company by the Directors since the Listing Date.

Upon specific enquiry of all Directors, each of the Directors confirmed that they have complied with the Model Code during the period from the Listing Date to 30 June 2024.

SHARE INCENTIVE SCHEMES

1. Pre-IPO ESOP

The Pre-IPO ESOP was adopted by the Shareholders on 14 July 2021 and amended on 5 August 2021. No further awards will be granted under the Pre-IPO ESOP after the Company's listing and the terms of the Pre-IPO ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

As of 30 June 2024, all of the awards granted under the Pre-IPO ESOP were in the form of share options. A total of 318,392,443 options had been granted to eligible participants under the Pre-IPO ESOP, of which 20,351,300 options had been exercised and was settled with the issuance of 20,351,300 class A ordinary shares (which was re-designated as the Ordinary Shares upon the Listing).

Details of the outstanding options granted under the Pre-IPO ESOP as of 30 June 2024 are set out below:

Name of grantee	Date of grant	Exercise price (US\$ per share)	Vesting status	Exercise period	Number of Shares underlying options as of the Prospectus Date	Number of options exercised during the period from the Prospectus Date up to 30 June 2024	Number of options cancelled/ forfeited during the period from the Prospectus Date up to 30 June 2024	Number of Shares underlying the options as of 30 June 2024
Directors								
Dr. Wen Shuhao	15 April 2021	0.18792135	Fully vested	15 April 2021–14 April 2031	38,183,588	–	–	38,183,588
	24 November 2023	0.2467842	50% will be vested after 24 months commencing from the Listing Date, 25% will be vested after 36 months commencing from the Listing Date and 25% will be vested after 48 months commencing from the Listing Date	24 November 2023–23 November 2033	42,909,774	–	–	42,909,774
Dr. Ma Jian	15 April 2021	0.18792135	Fully vested	15 April 2021–14 April 2031	21,436,379	–	–	21,436,379
	24 November 2023	0.2467842	50% will be vested after 24 months commencing from the Listing Date, 25% will be vested after 36 months commencing from the Listing Date and 25% will be vested after 48 months commencing from the Listing Date	24 November 2023–23 November 2033	23,793,963	–	–	23,793,963

Corporate Governance and Other Information

Name of grantee	Date of grant	Exercise price (US\$ per share)	Vesting status	Exercise period	Number of Shares underlying options as of the Prospectus Date	Number of options exercised during the period from the Prospectus Date up to 30 June 2024	Number of options cancelled/forfeited during the period from the Prospectus Date up to 30 June 2024	Number of Shares underlying the options as of 30 June 2024
Dr. Lai Lipeng	15 April 2021	0.18792135	Fully vested	15 April 2021–14 April 2031	15,315,639	–	–	15,315,639
	24 November 2023	0.2467842	50% will be vested after 24 months commencing from the Listing Date, 25% will be vested after 36 months commencing from the Listing Date and 25% will be vested after 48 months commencing from the Listing Date	24 November 2023–23 November 2033	17,000,022	–	–	17,000,022
Dr. Jiang Yide Alan	1 October 2015	0.0008	Fully vested	1 October 2015–14 July 2031	10,000,000 ⁽¹⁾	–	–	10,000,000
Consultants								
2 grantees ⁽³⁾	3 September 2019	0.26309	Fully vested	3 September 2019–2 September 2029	53,215	–	–	53,215
	3 September 2019	0.26309	Fully vested	3 September 2019–2 September 2029	478,934	–	–	478,934
Ex-employees and other employees (who are not Directors, consultants or ex-employees of the Group)								
167 grantees (range of 1 to 499,999 Shares underlying the options granted)	26 November 2015 to 1 March 2024	0.00032458 to 0.527	A, B, C, D ⁽⁴⁾	Within 10 years from the date of grant	22,852,004	–	490,000	22,362,004
19 grantees (range of 500,000 to 999,999 Shares underlying the options granted)	1 February 2017 to 1 March 2024	0.00283995 to 0.462	A, B, C ⁽⁴⁾	Within 10 years from the date of grant	7,400,000	–	–	7,400,000
11 grantees (range of 1,000,000 to 4,999,999 Shares underlying the options granted)	26 November 2015 to 1 March 2024	0.00032458 to 0.527	A, B, C ⁽⁴⁾	Within 10 years from the date of grant	43,780,425	–	–	43,780,425
3 grantees (range of 5,000,000 Shares or more underlying the options granted)	1 March 2016	0.00150	Fully vested	1 March 2016–28 February 2026	8,000,000 ⁽²⁾	–	–	8,000,000
	1 February 2017	0.00150	Fully vested	1 February 2017–31 January 2027	7,000,000 ⁽²⁾	–	–	7,000,000
	1 March 2017	0.00150	Fully vested	1 March 2017–28 February 2027	5,000,000 ⁽²⁾	–	–	5,000,000

Corporate Governance and Other Information

Name of grantee	Date of grant	Exercise price (US\$ per share)	Vesting status	Exercise period	Number of Shares underlying options as of the Prospectus Date	Number of options exercised during the period from the Prospectus Date up to 30 June 2024	Number of options cancelled/ forfeited during the period from the Prospectus Date up to 30 June 2024	Number of Shares underlying the options as of 30 June 2024
2 grantees (senior management)	1 October 2015	0.00001	Fully vested	1 October 2015–30 September 2025	22,837,200 ⁽²⁾	-	-	22,837,200
	1 January 2021	0.18792135	Fully vested	1 January 2021–31 December 2030	12,000,000 ⁽¹⁾	-	-	12,000,000
Total					298,041,143	-	490,000	297,551,143

Notes:

- (1) Pursuant to the powers of attorney granted by Mr. Tam Man Hong and Dr. Jiang Yide Alan in favor of Dr. Wen Shuhao on 28 May 2024, respectively, Dr. Wen Shuhao is unconditionally, indefinitely and irrevocably authorized and appointed to exercise all the voting rights attached to: (i) the Shares underlying the vested outstanding options owned by them; and (ii) the Shares transferred or issued to them upon the exercise of the vested outstanding options, except for any matter the outcome of the vote on which will disproportionately, materially and adversely affect the grantors, as compared to Dr. Wen Shuhao or any other Shareholder. The powers of attorney shall be valid from the Listing Date for an indefinite term. Accordingly, the voting rights of the Shares underlying the vested outstanding options will be entrusted to Dr. Wen Shuhao upon the Listing.
- (2) Representing the Shares held by QuantumPharm Roc underlying options held by QuantumPharm Employee Holdings, a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust for the benefit of 13 employees and ex-employees of the Group. In accordance with the terms of the trust deed of the QuantumPharm Employee Benefit Trust dated 28 June 2021, Dr. Ma Jian, being the sole member of the advisory committee established by the Company, has the sole power to make all decisions relating to the exercise of any voting and other rights of the properties held under the trust and to give instructions and directions to the trustee for the execution of such decisions.
- (3) The two consultants were one of the advisory board members of XtalPi Inc., a direct wholly-owned subsidiary of the Company. They were responsible for providing professional advice, opinion and guidance to our technology developments and applications in the pharmaceutical and materials design industry and market, making recommendations and referrals on scientific researchers and industry leaders and promoting our scientific exchanges and collaborations in pharmaceutical innovation within China and the United States.
- (4) Please refer to the different categories of vesting schedules below:

Category Vesting schedule

- | | |
|---|--|
| A | Four equal tranches with the vesting date on the first, second, third and fourth anniversary date of the grant date. |
| B | 50% will be vested at the second anniversary of the grant date, 25% will be vested at the third anniversary of the grant date, and 25% will be vested at the fourth anniversary of the grant date. |
| C | 25% is vested immediately on the grant date, and the remaining 75% will be vested in three equal tranches with the vesting date on the first, second and third anniversary date of the grant date. |
| D | 50% is vested immediately on the grant date, and the remaining 50% will be vested in two equal tranches with vesting date on the first and second anniversary date of the grant date. |
- (5) There were no lapse of options during the period from the Listing Date up to 30 June 2024.

Corporate Governance and Other Information

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted by the Company pursuant to the resolutions of the Shareholders passed on 28 May 2024.

As of 30 June 2024, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

3. Post-IPO RSU Scheme

The Post-IPO RSU Scheme was adopted by the Company pursuant to the resolutions of the Shareholders passed on 28 May 2024.

As of 30 June 2024, no award had been granted or agreed to be granted under the Post-IPO RSU Scheme.

As the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme were adopted by the Company on 28 May 2024, no options or awards were available for grant as of 1 January 2024. As of 30 June 2024, the available number of Shares in respect of which options or awards may be granted under the Scheme Limit was 204,406,365 Shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Ordinary Shares were listed on the Stock Exchange on the Listing Date of 13 June 2024, the Corporate Governance Code was not applicable to the Company prior to the Listing Date.

The Company aims to achieve high standards of corporate governance, which are crucial to the Company's development and safeguard the interests of the Shareholders. Since the Listing Date, the Company has applied the principles of good corporate governance and adopted the code provisions of the Corporate Governance Code as its own code of corporate governance. The Company has complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code during the period from the Listing Date to 30 June 2024. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

REVIEW OF INTERIM RESULTS

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Law Cheuk Kin Stephen, Ms. Chan Wing Ki and Mr. Chow Ming Sang. The Audit Committee is chaired by Mr. Law Cheuk Kin Stephen. The Audit Committee has reviewed the unaudited consolidated interim financial information of the Group for the Reporting Period and this interim report, and discussed with the management and auditor of the Company the accounting principles and practices adopted by the Group.

The interim financial information for the Reporting Period has not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagement 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board.

Corporate Governance and Other Information

SUBSEQUENT EVENTS

In July 2024, we subscribed several wealth management products in aggregate of US\$40 million, which were accounted as financial assets at FVTPL.

On 10 July 2024, we issued 8,796,000 ordinary shares at HK\$5.28 per share pursuant to the partial exercise of the over-allotment option.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period. (For the six months ended 30 June 2023: nil).

CHANGES TO THE DIRECTORS' INFORMATION

On 15 August 2024, Ms. Chan Wing Ki, an independent non-executive Director, was awarded the title of Certified Environmental, Social and Governance Analyst CESGA by The European Federation of Financial Analysts Societies. Ms. Chan was also appointed as a member of the General Committee of The Chamber of Hong Kong Listed Companies in June 2024.

Save as disclosed above, no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the Prospectus and up to the date of this interim report.

FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

APPRECIATION

The Board would like to express its sincere gratitude to our Shareholders, management team, employees, business partners and customers for their support and contribution to the Group.

By order of the Board

QuantumPharm Inc.

Dr. Wen Shuhao

Chairman

Hong Kong, 28 August 2024

Report on Review of Interim Financial Information

To the Board of Directors of QuantumPharm Inc.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 67, which comprises the interim condensed consolidated balance sheet of QuantumPharm Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2024 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2024

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June

	Note	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	102,630	79,967
Research and development expenses	5	(210,390)	(234,421)
General and administrative expenses	5	(234,314)	(101,165)
Contract fulfillment costs	5	(55,478)	(58,254)
Selling and marketing expenses	5	(34,638)	(29,640)
Impairment losses on financial assets		(270)	(104)
Other income	6	42,360	7,736
Other losses, net	7	(2,761)	(99,109)
Operating loss		(392,861)	(434,990)
Finance income		36,414	50,716
Finance expenses		(3,733)	(3,846)
Finance income, net		32,681	46,870
Changes in fair value of convertible redeemable preferred shares	17	(875,356)	(231,164)
Share of net losses of investments accounted for using equity method		(2,014)	(1,013)
Loss before income tax		(1,237,550)	(620,297)
Income tax expense	8	—	—
Loss for the period		(1,237,550)	(620,297)
Loss for the period attributable to:			
Equity holders of the Company		(1,237,016)	(613,006)
Non-controlling interests		(534)	(7,291)
		(1,237,550)	(620,297)
Loss per share for loss attributable to equity holders of the Company (expressed in RMB per share)	9		
Basic loss per share		(1.70)	(1.27)
Diluted loss per share		(1.70)	(1.27)

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

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Loss for the period	(1,237,550)	(620,297)
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
– Changes in fair value of convertible redeemable preferred shares due to own credit risk	(19,774)	(37,163)
– Currency translation differences	(10,924)	(168,444)
Items that may be subsequently reclassified to profit or loss		
– Currency translation differences	(11,465)	(58,111)
Other comprehensive loss for the period, net of tax	(42,163)	(263,718)
Total comprehensive loss for the period, net of tax	(1,279,713)	(884,015)
Total comprehensive loss for the period attributable to:		
Equity holders of the Company	(1,279,395)	(877,069)
Non-controlling interests	(318)	(6,946)
	(1,279,713)	(884,015)

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

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	11	357,356	369,887
Right-of-use assets	11	95,013	189,250
Intangible assets	11	7,849	7,869
Investments accounted for using the equity method		27,917	23,841
Financial assets at fair value through profit or loss	12	431,724	424,023
Prepayments	14	11,724	24,916
Term deposits		20,908	20,552
		952,491	1,060,338
Current assets			
Contract costs		36,838	37,891
Trade receivables	13	58,529	38,506
Prepayments, deposits and other receivables	14	37,091	41,147
Financial assets at fair value through profit or loss	12	1,655,292	863,368
Derivative financial instruments	12	555	—
Restricted cash		528	2,337
Term deposits		407,573	1,251,353
Cash and cash equivalents		1,313,710	710,761
		3,510,116	2,945,363
Total assets		4,462,607	4,005,701
Equity			
Equity attributable to equity holders of the Company			
Share capital	18	236	50
Other reserves	19	12,408,020	(227,110)
Accumulated losses		(8,292,571)	(7,040,349)
		4,115,685	(7,267,409)
Non-controlling interests		25,849	26,167
Total equity/(deficits)		4,141,534	(7,241,242)

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		75,422	137,183
Convertible redeemable preferred shares	17	—	10,780,342
Deferred government grants		21,778	32,042
		97,200	10,949,567
Current liabilities			
Trade payables	15	7,701	13,654
Other payables and accruals	16	95,808	131,289
Short-term bank borrowings		64,900	60,000
Derivative financial instruments		—	560
Deferred government grants		7,155	7,433
Contract liabilities		25,059	25,658
Lease liabilities		23,250	58,782
		223,873	297,376
Total liabilities		321,073	11,246,943
Total equity and liabilities		4,462,607	4,005,701

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

Condensed Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000 (Note 18)	Other reserves RMB'000 (Note 19)	Accumulated losses RMB'000	Equity attributable to equity holders' of the company RMB'000	Non-controlling interests RMB'000	Total equity/ (deficits) RMB'000
(Unaudited)							
Balance at 1 January 2024		50	(227,110)	(7,040,349)	(7,267,409)	26,167	(7,241,242)
Loss for the period		—	—	(1,237,016)	(1,237,016)	(534)	(1,237,550)
Other comprehensive loss:							
Changes in fair value of convertible redeemable preferred shares due to own credit risk	17	—	(19,774)	—	(19,774)	—	(19,774)
Currency translation differences		—	(22,605)	—	(22,605)	216	(22,389)
Total comprehensive loss for the period		—	(42,379)	(1,237,016)	(1,279,395)	(318)	(1,279,713)
Transactions with equity holders							
Conversion of convertible redeemable preferred shares to ordinary shares		173	11,721,245	—	11,721,418	—	11,721,418
Transfer of accumulated changes in fair value due to own credit risk upon derecognition of convertible redeemable preferred shares		—	15,206	(15,206)	—	—	—
Issuance of ordinary shares relating to initial public offering, netting of underwriting commissions and other issuance costs		13	862,136	—	862,149	—	862,149
Equity-settled share-based compensation	20	—	78,922	—	78,922	—	78,922
Total transactions with equity holders		186	12,677,509	(15,206)	12,662,489	—	12,662,489
Balance at 30 June 2024		236	12,408,020	(8,292,571)	4,115,685	25,849	4,141,534

Condensed Consolidated Statement of Changes in Equity

	Note	Share capital RMB'000 (Note 18)	Other reserves RMB'000 (Note 19)	Accumulated losses RMB'000	Equity attributable to equity holders' of the Company RMB'000	Non-controlling interests RMB'000	Total equity/ (deficits) RMB'000
(Unaudited)							
Balance at 1 January 2023		50	(201,756)	(5,125,965)	(5,327,671)	17,878	(5,309,793)
Loss for the period		—	—	(613,006)	(613,006)	(7,291)	(620,297)
Other comprehensive loss:							
Changes in fair value of convertible redeemable preferred shares due to own credit risk	17	—	(37,163)	—	(37,163)	—	(37,163)
Currency translation differences		—	(226,900)	—	(226,900)	345	(226,555)
Total comprehensive loss for the period		—	(264,063)	(613,006)	(877,069)	(6,946)	(884,015)
Transactions with equity holders							
Equity-settled share-based compensation	20	—	31,611	—	31,611	—	31,611
Total transactions with equity holders		—	31,611	—	31,611	—	31,611
Balance at 30 June 2023		50	(434,208)	(5,738,971)	(6,173,129)	10,932	(6,162,197)

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities		
Net cash used in operating activities	(299,294)	(298,988)
Cash flows from investing activities		
Interest received from term deposits	41,998	64,688
Purchase of property, plant and equipment	(32,018)	(42,682)
Proceeds from disposals of property, plant and equipment	301	41
Purchase of intangible assets	(2,166)	(5,860)
Proceeds from disposals of intangible assets	232	—
Additions of investments accounted for using equity method	(6,016)	—
Additions of investments in financial assets at fair value through profit or loss	(1,464,359)	(1,737,062)
Proceeds from disposal of financial assets at fair value through profit or loss	675,081	1,823,938
Placement of term deposits	(124,609)	(2,075,773)
Proceeds from maturity of term deposits	955,133	2,733,546
Changes in restricted cash balances	1,809	2,374
Proceeds from government grants	3,265	24,820
Net cash generated from investing activities	48,651	788,030
Cash flows from financing activities		
Interest paid for bank borrowings	(773)	(665)
Payments of lease liabilities	(39,001)	(17,429)
Gross proceeds from issuance of ordinary shares	901,081	—
Payments of listing expenses	(38,151)	—
Proceeds from short-term bank borrowings	19,900	—
Repayment of short-term bank borrowings	(15,000)	(2,000)
Net cash generated from/(used in) financing activities	828,056	(20,094)
Net increase in cash and cash equivalents	577,413	468,948
Cash and cash equivalents at beginning of the period	710,761	574,219
Effects of exchange rate changes on cash and cash equivalents	25,536	(1,440)
Cash and cash equivalents at end of the period	1,313,710	1,041,727

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

Notes to Interim Financial Information

1 GENERAL INFORMATION

QuantumPharm Inc. (the “**Company**”) was incorporated in the Cayman Islands on 28 April 2017 as an exempted company with limited liability. The address of its registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the provision of drug discovery solutions and intelligent automation solutions.

The Company completed its initial public offering on 13 June 2024 (the “**Listing**”) and the Company’s shares have been listing on the Main Board of The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information is presented in thousands of unit of Renminbi (RMB’000), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 June 2024 is unaudited and has been reviewed by the audit committee and external auditor of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 28 August 2024.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

This condensed consolidated interim financial information of the Group for the six months ended 30 June 2024 (the “**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”).

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. Accordingly, this Interim Financial Information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with IFRS Accounting Standards issued by the IASB.

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this Interim Financial Information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty are consistent with those applied in the consolidated financial statements for the year ended 31 December 2023.

Notes to Interim Financial Information

2 SUMMARY OF ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Accounting policy information

(a) *Amendments to standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The Company's directors have performed an assessment on these amendments to standards and have concluded on a preliminary basis that the adoption of these amendments to standards is not expected to have a significant impact on the Group's financial performance and position.

(b) *New standards and amendments to standards not yet adopted*

New standards and amendments to standards that have been issued but are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2024 are as follows:

		Effective for accounting periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Company's directors have performed an assessment on the above new standards and amendments to standards and have concluded on a preliminary basis that the adoption of these new standards and amendments to standards is not expected to have a significant impact on the Group's financial performance and position.

Notes to Interim Financial Information

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial information in the consolidated financial statements for the year ended 31 December 2023.

There have been no changes in the risk management policies since 31 December 2023.

(a) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

Cash flow forecasting is performed by the finance department of the Group. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as the liabilities to other parties.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The financial liabilities at fair value through profit or loss are managed on a fair value basis rather than by maturing dates and not included in the following table.

As all of the convertible redeemable preferred shares at fair value through profit or loss have been converted into ordinary share during the six months ended 30 June 2024, no contractual undiscounted cash flows are required as at 30 June 2024. Details of the undiscounted cash flows as at 31 December 2023 have been presented in the consolidated financial statements of the Group for the year ended 31 December 2023.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
(Unaudited)					
As at 30 June 2024					
Trade payables	7,701	—	—	—	7,701
Other payables and accruals (excluding non-financial liabilities)	48,176	—	—	—	48,176
Borrowings	65,680	—	—	—	65,680
Lease liabilities	27,284	23,678	58,111	—	109,073
	148,841	23,678	58,111	—	230,630

Notes to Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
(Audited)					
As at 31 December 2023					
Trade payables	13,654	—	—	—	13,654
Other payables and accruals (excluding non-financial liabilities)	53,428	—	—	—	53,428
Borrowings	61,085	—	—	—	61,085
Lease liabilities	65,468	35,419	103,288	12,520	216,695
Derivative financial instruments	560	—	—	—	560
	194,195	35,419	103,288	12,520	345,422

3.2 Fair value estimation

The Group's financial instruments carried at fair value at each reporting date are measured by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Notes to Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation (Continued)

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 30 June 2024 and 31 December 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
At 30 June 2024				
Financial assets				
Financial assets at fair value through profit or loss				
— Investment in the unlisted entities	—	—	353,960	353,960
— Investment in a listed entity	21,273	—	—	21,273
— Investment in convertible debts	—	—	56,491	56,491
— Derivative financial instruments	—	555	—	555
— Wealth management products	—	—	1,655,292	1,655,292
	21,273	555	2,065,743	2,087,571
(Audited)				
At 31 December 2023				
Financial assets				
Financial assets at fair value through profit or loss				
— Investment in the unlisted entities	—	—	316,161	316,161
— Investment in a listed entity	40,267	—	—	40,267
— Investment in convertible debts	—	—	67,595	67,595
— Wealth management products	—	—	863,368	863,368
	40,267	—	1,247,124	1,287,391
Financial liabilities				
Financial liabilities at fair value through profit or loss				
— Derivative financial instruments	—	560	—	560
— Convertible redeemable preferred shares	—	—	10,780,342	10,780,342
	—	560	10,780,342	10,780,902

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the periods ended 30 June 2024 and 2023.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation *(Continued)*

(a) Financial instruments in Level 1 and Level 2

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprised investments in listed instruments classified as financial assets at FVTPL.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprised derivative financial instruments.

(b) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments,
- discounted cash flow analysis, and
- observable and unobservable inputs, including discount rate, risk-free interest rate, discount for lack of marketability ("**DLOM**"), and expected volatility, etc.

Level 3 instruments of the Group's assets and liabilities include investments in unlisted entities, wealth management products, convertible debts, other financial liabilities and convertible redeemable preferred shares at fair value through profit or loss.

Notes to Interim Financial Information

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation *(Continued)*

(b) Financial instruments in Level 3 (Continued)

The following table presents the changes in level 3 items including investments in unlisted companies, investments in wealth management products and investment in convertible debts at fair value through profit or loss for the periods ended 30 June 2024 and 2023:

	Investments in unlisted entities RMB'000	Investments in wealth management products RMB'000	Investment in convertible debts RMB'000	Total RMB'000
(Unaudited)				
At 1 January 2024	316,161	863,368	67,595	1,247,124
Additions	5,345	1,443,804	20,000	1,469,149
Disposals	(2,847)	(672,234)	—	(675,081)
Transfer a convertible debt to equity	32,553	—	(32,553)	—
Change in fair value	799	16,295	1,047	18,141
Currency translation differences	1,949	4,059	402	6,410
At 30 June 2024	353,960	1,655,292	56,491	2,065,743
(Unaudited)				
At 1 January 2023	211,465	356,361	3,250	571,076
Additions	3,000	1,734,062	—	1,737,062
Disposals	—	(1,823,938)	—	(1,823,938)
Change in fair value	(34,501)	3,902	—	(30,599)
Currency translation differences	7,159	10	—	7,169
At 30 June 2023	187,123	270,397	3,250	460,770

Notes to Interim Financial Information

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation (Continued)

(b) Financial instruments in Level 3 (Continued)

Description	Fair value at		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	As at 30 June, 2024 RMB'000 (Unaudited)	As at 31 December, 2023 RMB'000 (Audited)		As at 30 June, 2024 (Unaudited)	As at 31 December, 2023 (Audited)	
Unlisted preferred shares	223,048	151,237	Risk-free rate	1.45%-4.31%	1.45%-2.39%	The higher the risk-free rate, the lower the fair value.
			Expected volatility	66%-90%	66%-75%	Depends on rights and restrictions of shares held by the Group.
A series of Unlisted preferred shares and ordinary shares	130,912	164,924	Latest transaction price	N/A	N/A	The higher the recent transaction price, the higher the fair value.
A series of Convertible bonds	56,491	67,595	Latest transaction price	N/A	N/A	The higher the recent transaction price, the higher the fair value.
Wealth management products	1,655,292	863,368	Expected rate of return	2.53%-6.0%	2.35%-5.71%	The higher the expected rate of return, the higher the fair value.

Key assumptions used in the valuation of the fair value of investments in unlisted entities include risk-free interest rate and expected volatility. Changes in fair value of investments in unlisted entities were recorded in "Other gains/(losses), net".

(c) Financial instruments at amortised cost

The carrying amounts of the Group's other financial assets measured at amortised costs, including term deposits, cash and cash equivalents, restricted cash, trade receivables, other receivables and deposits and the Group's financial liabilities, including trade payables, other payables and accruals, approximate their fair values due to their short maturities.

Notes to Interim Financial Information

4 REVENUE

Revenue disaggregated by revenue source as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Drug discovery solutions	60,850	36,096
Intelligent automation solutions	41,780	43,871
	102,630	79,967
Timing of revenue recognition:		
At a point in time	77,070	61,892
Over time	25,560	18,075
	102,630	79,967

Revenue from external customers contributing over 10% to the total revenue of the Group for the six months ended 30 June 2024 and 2023 are as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	19,536	N/A*
Customer B	N/A*	14,536

* Less than 10% of the total revenue of the Group in the respective period.

Revenue disaggregated by geography, based on the billing address of the customers is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Greater China	52,974	53,166
United States	39,817	21,416
Other regions	9,839	5,385
	102,630	79,967

Notes to Interim Financial Information

4 REVENUE (Continued)

Segment information:

The chief operating decision-maker (the "CODM") has been identified as the Board, who reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group as a whole. For the purpose of internal reporting and management's operation review, the CODM considered that the Group's businesses are operated and managed as one single segment and no separate segment information was presented for the six months ended 30 June 2024 and 2023.

5 EXPENSE BY NATURE

Expenses included in research and development expenses, general and administrative expenses, contract fulfillment costs and selling and marketing expenses are analysed as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Employee benefit expenses (including directors' emoluments) (Note (a))	315,450	275,993
Network and cloud service expenses	15,797	21,715
Short-term rental and utilities	7,573	7,242
Sample material costs	15,591	26,179
Professional service fees	26,770	16,948
Depreciation of property, plant and equipment	44,263	32,674
Depreciation of right-of-use assets	38,062	12,458
Amortisation of intangible assets	1,963	2,711
Property management fees	10,694	9,804
Listing expenses	31,876	—
Others	26,781	17,756
	534,820	423,480

Note:

(a) Employee benefit expenses (including directors' emoluments)

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Wages, salaries and bonuses	199,495	198,653
Pensions costs and housing benefits	34,142	40,547
Share-based compensation expenses (Note 20)	78,922	31,611
Other employee benefits	20,339	14,227
	332,898	285,038
Less: employee benefit expenses capitalised as cost to fulfill revenue contracts	(17,448)	(9,045)
	315,450	275,993

Notes to Interim Financial Information

6 OTHER INCOME

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Government grants	42,360	7,736

The Group received certain financial subsidies from local government authorities with certain specified conditions.

7 OTHER LOSSES, NET

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net foreign exchange losses	(10,054)	(55,889)
Gains on derivative financial instruments	3,527	376
Net fair value changes on FVTPL	(1,042)	(43,576)
Others	4,808	(20)
	(2,761)	(99,109)

8 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax	—	—
Deferred income tax	—	—
	—	—

Income tax expense

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

The Company and subsidiaries were incorporated in the Cayman Islands as exempted companies with limited liability under the Companies Act of the Cayman Islands and are not subject to the Cayman Islands income tax pursuant to the current laws of the Cayman Islands.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profit tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

Notes to Interim Financial Information

8 INCOME TAX EXPENSE (Continued)

Income tax expense (Continued)

United States

The subsidiaries in the United States are subject to Federal Tax at a rate of 21% and State Tax at a rate of 8%.

PRC

The Group's subsidiaries established in the PRC are generally subject to Corporate Income Tax at a rate of 25% on the estimated assessable profit in accordance with relevant PRC income tax laws, subject to preferential tax treatments available to certain qualified enterprises.

Shenzhen Jingtai Technology Co., Ltd., Beijing Jingtai Technology Co., Ltd. and Shanghai Zhiyao Technology Co., Ltd. were approved as "High and New Technology Enterprise" and entitled to a preferential income tax rate of 15%. Certain subsidiaries of the Group in the PRC have been granted certain tax concessions for small scale entities by tax authorities in the PRC and enjoy reduced tax rates.

9 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the six months ended 30 June 2024 and 2023 are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective period.

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	1,237,016	613,006
Weighted average number of ordinary shares in issue (thousand shares)	729,148	483,979
Basic loss per share (expressed in RMB per share)	1.70	1.27

(b) Diluted loss per share

For the six months ended 30 June 2024 and 2023, the Company's dilutive potential ordinary shares included CRPS and share options.

Diluted loss per share presented is the same as the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

10 DIVIDENDS

No dividends have been paid or declared by the Company for the six months ended 30 June 2024 and 2023.

Notes to Interim Financial Information

11 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Intangible assets RMB'000
(Unaudited)			
Opening net book amount as at 1 January 2024	369,887	189,250	7,869
Additions	32,018	12,601	2,166
Disposals	(301)	(68,776)	(232)
Depreciation and amortisation charge	(44,263)	(38,062)	(1,963)
Currency translation adjustment	15	—	9
Closing net book amount as at 30 June 2024	357,356	95,013	7,849
At 30 June 2024			
Cost	532,697	171,729	22,008
Accumulated depreciation and impairment	(175,341)	(76,716)	(14,159)
Net book amount	357,356	95,013	7,849
(Unaudited)			
Opening net book amount as at 1 January 2023	317,640	77,989	6,684
Additions	35,740	180,307	5,860
Disposals	(41)	—	—
Depreciation and amortisation charge	(32,674)	(12,458)	(2,711)
Currency translation adjustment	8	—	23
Closing net book amount as at 30 June 2023	320,673	245,838	9,856
At 30 June 2023			
Cost	416,070	296,928	18,883
Accumulated depreciation and impairment	(95,397)	(51,090)	(9,027)
Net book amount	320,673	245,838	9,856

Notes to Interim Financial Information

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current:		
A listed entity	21,273	40,267
Unlisted entities	353,960	316,161
Convertible debts	56,491	67,595
	431,724	424,023
Current:		
Wealth management products	1,655,292	863,368
Derivative financial instruments	555	—
	1,655,847	863,368

Movements in the Group's financial assets measured at fair value through profit or loss for the six months ended 30 June 2024 are disclosed in Note 3.2.

In July 2024, the Group has subscribed wealth management products in aggregate of US\$40 million, which were accounted as financial assets at FVTPL.

13 TRADE RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	60,617	40,326
Less: credit loss allowance	(2,088)	(1,820)
	58,529	38,506

Notes to Interim Financial Information

13 TRADE RECEIVABLES (Continued)

The credit period granted to the Group's customers is usually 30–60 days. As at 30 June 2024 and 31 December 2023, the aging analysis of trade receivables based on invoice dates is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
0 to 90 days	41,956	32,017
91 to 180 days	7,353	5,307
181 to 365 days	8,848	1,916
Over 1 year	2,460	1,086
	60,617	40,326

Movements on the Group's credit loss allowance for trade receivables are as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At beginning of the period	1,820	1,772
Increase in loss allowance	268	7
At end of the period	2,088	1,779

Notes to Interim Financial Information

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current		
Prepayment for equipment	11,724	24,916
Current		
Prepayments	9,641	9,298
Deposits	9,450	12,094
Value-added tax recoverables	12,317	19,705
Loan to a third party and related interest receivable	5,004	—
Others	850	219
	37,262	41,316
Less: loss allowance	(171)	(169)
	37,091	41,147

The carrying amounts of deposits and other receivables approximate their fair values and are mainly dominated in RMB. The recoverability was assessed with reference to the credit status of the recipients and, as there is no significant increase in credit risk since initial recognition, the 12-month expected credit loss is considered minimal.

15 TRADE PAYABLES

Trade payables were mainly denominated in RMB as at 30 June 2024 and 31 December 2023. The credit periods granted by suppliers generally range from 30 to 180 days. The aging analysis of trade payables, based on invoice date, is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
0 to 90 days	4,591	11,683
90 to 180 days	3,110	1,971
	7,701	13,654

Notes to Interim Financial Information

16 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Accrued salaries and staff benefits	45,465	73,596
Accrual for acquiring property, plant, and equipment	11,699	18,622
Accrued listing expenses	14,959	5,382
Investment payables	10,231	19,561
Other tax payables	2,167	4,265
Rental payables	4,090	515
Others	7,197	9,348
	95,808	131,289

The carrying amounts of other payables and accruals of the Group are mainly denominated in RMB.

17 CONVERTIBLE REDEEMABLE PREFERRED SHARES

The movements of the CRPS during the period ended 30 June 2024 are set out as below:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At 1 January 2024	10,780,342	9,320,782
Change in fair value through profit or loss	875,356	231,164
Change in fair value through other comprehensive income	19,774	37,163
Currency translation differences	45,946	359,469
Conversion of convertible redeemable preferred shares to ordinary shares	(11,721,418)	—
At 30 June 2024	—	9,948,578

All convertible redeemable preferred shares were converted into ordinary shares upon completion of the listing of the Company's shares on 13 June 2024. In addition, the cumulative loss recognised in other comprehensive income related to the convertible redeemable preferred shares due to changes of fair value in the liability's credit risk of RMB15,206,000 was transferred from other reserves to accumulated losses upon IPO.

Notes to Interim Financial Information

18 SHARE CAPITAL

Authorised:

	Class A ordinary shares (At par value of US\$0.00001)	Class B ordinary share (At par value of US\$0.00001)	Ordinary shares (At par value of US\$0.00001)	Preferred shares (At par value of US\$0.00001)	Total
(Unaudited)			(Number of shares)		
At 1 January 2023, 31 December 2023 and 1 January 2024	2,132,966,842	429,653,340	—	2,437,379,818	5,000,000,000
Creation of addition of Class A ordinary shares	95,000,000,000	—	—	—	95,000,000,000
Conversion of preferred shares into Class A ordinary shares	2,437,379,818	—	—	(2,437,379,818)	—
Re-designation of to ordinary shares	(99,570,346,660)	(429,653,340)	100,000,000,000	—	—
At 30 June 2024	—	—	100,000,000,000	—	100,000,000,000

Pursuant to the Articles and the Pre-IPO Shareholders' Agreement, all the preferred shares shall be automatically and immediately converted into Class A ordinary shares upon completion of an initial public offering of the Company. The preferred shares will be converted into Class A ordinary shares on a one-to-one ratio and subject to customary adjustments.

Upon the completion of the initial public offering by the Company on 13 June 2024, all the preferred shares were automatically converted into Class A ordinary shares. Upon the conversion of all the issued and outstanding preferred shares into Class A ordinary shares, the weighted voting rights structure also ceased as all Class A and Class B ordinary shares entitle the holder to exercise one vote on all matters subject to the vote general meetings of the Company. Immediate following the above conversion all Class A and Class B ordinary shares are re-designated and reclassified as ordinary shares with par value of US\$0.00001 each.

Issued and fully paid:

	Class A ordinary shares	Class B ordinary shares	Number of ordinary shares	Total	Nominal value of ordinary shares (At par value of US\$0.00001) RMB'000
(Unaudited)			(Number of shares)		
At 1 January 2023, 31 December 2023 and 1 January 2024	352,366,603	429,653,340	—	782,019,943	50
Conversion of convertible redeemable preferred shares into Class A ordinary shares	2,437,379,818	—	—	2,437,379,818	173
Re-designation of to ordinary shares	(2,789,746,421)	(429,653,340)	3,219,399,761	—	—
Issuance of ordinary shares (Note i)	—	—	187,373,000	187,373,000	13
At 30 June 2024	—	—	3,406,772,761	3,406,772,761	236

Note i: On 13 June 2024, upon the Listing on the Main Board of the Stock Exchange, the Company issued 187,373,000 new ordinary shares at par value of US\$0.00001 per share for cash consideration of HK\$5.28 each.

Notes to Interim Financial Information

19 OTHER RESERVES

	Share premium RMB'000	Treasury shares RMB'000	Exchange reserves RMB'000	Share-based payment reserves RMB'000	Others RMB'000	Total RMB'000
(Unaudited)						
As at 1 January 2024	4,591	(19)	(447,815)	154,292	61,841	(227,110)
Conversion of convertible redeemable preferred shares into Class A ordinary shares	11,721,245	—	—	—	—	11,721,245
Transfer of accumulated changes in fair value due to own credit risk upon derecognition of convertible redeemable preferred shares	—	—	—	—	15,206	15,206
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(19,774)	(19,774)
Issuance of ordinary shares relating to initial public offering, netting of underwriting commissions and other issuance costs	862,136	—	—	—	—	862,136
Equity-settled share-based compensation	—	—	—	78,922	—	78,922
Currency translation difference	—	—	(22,605)	—	—	(22,605)
As at 30 June 2024	12,587,972	(19)	(470,420)	233,214	57,273	12,408,020
	Share premium RMB'000	Treasury shares RMB'000	Exchange reserves RMB'000	Share-based payment reserves RMB'000	Others RMB'000	Total RMB'000
(Unaudited)						
As at 1 January 2023	4,591	(19)	(354,146)	65,866	81,952	(201,756)
Equity-settled share-based compensation	—	—	—	31,611	—	31,611
Changes in fair value of convertible redeemable preferred shares due to own credit risk	—	—	—	—	(37,163)	(37,163)
Currency translation difference	—	—	(226,900)	—	—	(226,900)
As at 30 June 2023	4,591	(19)	(581,046)	97,477	44,789	(434,208)

19 OTHER RESERVES *(Continued)*

Note: Share premium regarding issuance of ordinary shares of IPO

On 13 June 2024, upon the Listing on the Main Board of the Stock Exchange, the Company issued 187,373,000 new ordinary shares at par value of US\$0.00001 per share for cash consideration of HK\$5.28 each, and raised gross proceeds of approximately HK\$989 million (equivalents to approximately RMB901 million). The nominal value of the share capital was approximately RMB13,000 and share premium arising from the issuance was approximately RMB862 million, after netting off share issuance costs of approximately RMB39 million.

On 10 July 2024, the Group issued 8,796,000 ordinary shares at HKD5.28 per share pursuant to the partial exercise of the over-allotment option.

20 SHARE-BASED PAYMENTS

Employee Share Option Plan

In August 2021, the Company issued 99,914,143 additional Class A ordinary shares to QuantumPharm Roc Holdings Limited for nominal consideration for the purpose of holding Class A ordinary shares underlying share awards to be granted from time to time under the 2021 Share Option Plan, which are issued but deemed to be not outstanding for the sole participants under the 2021 Share Option Plan. As a result, 298,041,143 Class A ordinary shares have been reserved to be issued to any qualified participants (excluding the vested options stated above) and all these Class A ordinary shares were re-designated and reclassified as ordinary shares upon the completion of the initial public offering by the Company on 13 June 2024.

The exercise price of options is based on a fixed price in the agreement with employees. The term of the Option shall expire at close of the principal stock market or exchange on which the Shares are quoted or traded on the tenth (10th) anniversary of the Grant Date, unless terminated earlier in accordance herewith. In no event may any portion of the Option be exercised after it has expired.

Notes to Interim Financial Information

20 SHARE-BASED PAYMENTS *(Continued)*

Employee Share Option Plan *(Continued)*

(i) *Movements in share options*

Set out below are summaries of options granted under the plan:

	Number of options 2021 Share Option Plan (unvested option)	Weighted average exercise price per share option US\$
(Unaudited)		
Outstanding as at 1 January 2024	297,555,144	0.16
Granted during the period	14,527,004	0.25
Forfeited during the period	(14,531,004)	(0.29)
	<hr/>	
Outstanding as at 30 June 2024	297,551,144	0.16
	<hr/>	
Vested and exercisable at 30 June 2024	180,616,400	—
	<hr/>	
(Unaudited)		
Outstanding as at 1 January 2023	206,691,385	0.15
Granted during the period	890,000	0.31
Forfeited during the period	(2,170,000)	0.17
	<hr/>	
Outstanding as at 30 June 2023	205,411,385	0.15
	<hr/>	
Vested and exercisable at 30 June 2023	—	—
	<hr/>	

Notes to Interim Financial Information

20 SHARE-BASED PAYMENTS (Continued)

Employee Share Option Plan (Continued)

(ii) Outstanding share options

Share options under 2021 Share Option Plan outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Vesting year	As at 30 June 2024 (Unaudited)	As at 30 June 2023 (Unaudited)
		US\$			
1 October 2015	1 October 2025	0.00001	4 years from grant date	22,837,200	22,837,200
1 October 2015	14 July 2031 (Note (vi))	0.00082	4 years from grant date	10,000,000	10,000,000
26 November 2015	26 November 2025	0.00032	4 years from grant date	1,550,000	1,550,000
1 March 2016	1 March 2026	0.00032	4 years from grant date	1,500,000	1,500,000
1 March 2016	1 March 2026	0.00150	4 years from grant date	8,000,000	8,000,000
1 March 2016	1 March 2026	0.00284	4 years from grant date	200,000	200,000
1 February 2017	1 February 2027	0.00150	4 years from grant date	7,000,000	7,000,000
1 February 2017	1 February 2027	0.00284	4 years from grant date	1,190,000	1,290,000
1 February 2017	1 February 2027	0.01733	4 years from grant date	80,000	80,000
1 March 2017	1 March 2027	0.00150	4 years from grant date	5,000,000	5,000,000
1 June 2017	1 June 2027	0.00284	4 years from grant date	2,500,000	2,500,000
16 September 2017	16 September 2027	0.00284	4 years from grant date	3,025,000	3,945,000
16 September 2017	16 September 2027	0.02160	4 years from grant date	700,000	700,000
1 August 2018	1 August 2028	0.00284	4 years from grant date	3,000,000	3,000,000
1 August 2018	1 August 2028	0.00710	4 years from grant date	2,700,000	4,130,000
1 August 2018	1 August 2028	0.07352	4 years from grant date	670,000	670,000
1 March 2019	1 March 2029	0.00710	4 years from grant date	2,530,000	2,590,000
1 March 2019	1 March 2029	0.09421	4 years from grant date	4,224,500	4,224,500
3 September 2019	3 September 2029	0.00284	4 years from grant date	1,000,000	1,000,000
3 September 2019	3 September 2029	0.02872	4 years from grant date	1,790,000	1,970,000
3 September 2019	3 September 2029	0.14303	4 years from grant date	—	250,000
3 September 2019	3 September 2029	0.26309	4 years from grant date	532,149	532,149
1 March 2020	1 March 2030	0.06705	4 years from grant date	1,130,000	1,130,000
1 March 2020	1 March 2030	0.17441	4 years from grant date	800,000	900,000
28 September 2020	28 September 2030	0.18792	4 years from grant date	560,000	880,000
1 January 2021	1 January 2031	0.00284	4 years from grant date	2,600,000	2,600,000
1 January 2021	1 January 2031	0.18792	4 years from grant date	30,000	30,000
1 January 2021	1 January 2031 (Note (vi))	0.18792	Fully vested upon listing	12,000,000	12,000,000
1 January 2021	1 January 2031	0.27533	4 years from grant date	—	100,000
15 April 2021	15 April 2031	0.00284	4 years from grant date	2,665,925	2,665,925
15 April 2021	15 April 2031	0.18792	4 years from grant date	1,340,000	2,219,999
15 April 2021	15 April 2031 (Note (vi))	0.18792	Fully vested upon listing	36,752,019	36,752,019
15 April 2021	15 April 2031 (Note (v&vi))	0.18792	Fully vested upon listing	38,183,588	38,183,589
15 April 2021	15 April 2031	0.33876	4 years from grant date	3,400,000	4,800,000
1 October 2021	1 October 2031	0.18792	4 years from grant date	350,000	350,000
26 November 2021	26 November 2031	0.30565	4 years from grant date	50,000	50,000

Notes to Interim Financial Information

20 SHARE-BASED PAYMENTS (Continued)

Employee Share Option Plan (Continued)

(ii) Outstanding share options (Continued)

Grant date	Expiry date	Exercise price	Vesting year	As at 30 June 2024 (Unaudited)	As at 30 June 2023 (Unaudited)
		US\$			
1 January 2022	1 January 2032	0.30565	4 years from grant date	2,100,000	2,100,000
11 January 2022	11 January 2032	0.18792	4 years from grant date	300,000	300,000
14 January 2022	14 January 2032	0.30565	4 years from grant date	—	100,000
31 March 2022	31 March 2032	0.18792	4 years from grant date	50,000	100,000
31 March 2022	31 March 2032	0.30565	4 years from grant date	90,000	170,000
30 June 2022	30 June 2032	0.30565	4 years from grant date	140,000	291,004
30 June 2022	30 June 2032	0.52234	4 years from grant date	80,000	380,000
30 September 2022	30 September 2032	0.30565	4 years from grant date	1,400,000	2,200,000
31 December 2022	31 December 2032	0.30565	4 years from grant date	300,000	12,450,000
31 December 2022	31 December 2032	0.46200	4 years from grant date	800,000	800,000
31 March 2023	31 March 2033	0.30565	4 years from grant date	340,000	620,000
30 June 2023	30 June 2033	0.30565	4 years from grant date	270,000	270,000
30 September 2023	30 September 2033	0.30565	4 years from grant date	2,850,000	—
30 September 2023	30 September 2033	0.18792	4 years from grant date	8,630,000	—
30 September 2023	30 September 2033	0.18792	3 years from grant date	80,000	—
30 September 2023	30 September 2033	0.48000	4 years from grant date	1,960,000	—
24 November 2023	24 November 2033	0.48000	4 years from grant date	100,000	—
24 November 2023	24 November 2033	0.24678	4 years from grant date	83,703,759	—
1 March 2024	1 March 2034	0.18792	4 years from grant date	11,737,004	—
1 March 2024	1 March 2034	0.30565	4 years from grant date	150,000	—
1 March 2024	1 March 2034	0.52700	4 years from grant date	2,580,000	—
				297,551,144	205,411,385
Weighted average remaining contractual life of options outstanding at end of period				6.59	6.13

The Group estimate the expected forfeiture rate at the end of vesting periods (“**Forfeiture Rate**”) of the share options granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the share options of the Group to grantees were assessed to 5.80% during the period ended 30 June 2024.

Notes to Interim Financial Information

20 SHARE-BASED PAYMENTS *(Continued)*

Employee Share Option Plan *(Continued)*

(iii) Fair value of options

The directors of the Company have used the binomial model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period.

Other than the exercise price mentioned above, significant judgment on parameter such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the binomial model, which are summarised as below:

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Fair value per share (in US\$)	0.33–0.5	0.24–0.38
Exercise price (in US\$)	0.19–0.59	0.01–0.52
Risk-free interest rate	4.18%	1.16%–3.88%
Expected Life	10 years	10 years
Expected volatility	79.23%	33%–73%
Dividend yield	—	—

(iv) Expenses arising from share-based payment transactions

For the six months ended 30 June 2024 and 2023, share-based payment expenses of RMB78,922,000 and RMB31,611,000 were recognised respectively.

(v) Modification of ESOP terms

In November 2023, the Group modified several terms including, exercise period and exercise prices of the share options that were previously granted to certain directors under the 2021 share option plan. The incremental fair value arising from the modification of RMB20,272,000 was recognised as expense immediately and the remaining was recognised as an expense over the period from the date of modification to the end of the remaining vesting period.

Notes to Interim Financial Information

21 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the period ended 30 June 2024. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Transactions with related parties

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from services provided for associates	312	198
Services purchased from a shareholder (continuing transaction)	—	1,721

Revenue from services provided and services purchased were based on terms mutually agreed with related parties and in the ordinary course of business.

(b) Balances with related parties

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Trade nature:	
Amounts receivable from associates	70	395
Trade payable due to a shareholder	—	95
Non-trade nature:		
Investment payable due to associates	4,886	5,048

The above balances with related parties are unsecured, interest-free and are repayable on demand.

Note: The investment payable to associates as at 30 June 2024 are due for settlement according to the terms and conditions set out in the related investment agreements which are mainly related to research and development progress of the research and development project of the investees.

Notes to Interim Financial Information

21 RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Key management personnel compensation

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	24,839	26,182
Pensions costs, housing benefits and other employee benefits	2,758	1,348
Share-based compensation expenses	76,531	30,704
	104,128	58,234

22 CONTINGENT LIABILITIES

As at 30 June 2024, there were no material contingent liabilities to the Group.

23 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed in Note 12 and Note 19, there were no significant events that might affect the Group since the end of the reporting period.

Definitions

In this interim report unless the context otherwise requires, the following terms shall have the meaning set out below.

“Audit Committee”	the audit committee of our Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires otherwise, references in this report to “China” and the “PRC” do not apply to Hong Kong, the Macao Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	QuantumPharm Inc., an exempted company incorporated in the Cayman Islands with limited liability on 28 April 2017, the Shares of which are listed on the Stock Exchange (stock code: 2228)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Crete Helix”	Crete Helix Ltd., a company incorporated in the BVI with limited liability on May 25, 2021, which is owned as to 1% by Jian Guo Pai and 99% by MH International
“CRPS”	Convertible Redeemable Preferred Shares
“Director(s)”	the director(s) of our Company
“FVTPL”	fair value through profit or loss
“Global Offering”	has the same meaning as defined in the Prospectus
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKEX Guide”	the “Guide for New Listing Applicants” published by the Stock Exchange in November 2023 which took effect on 1 January 2024
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee
“Interim Financial Information”	the condensed consolidated interim financial information of the Group for the Reporting Period
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Date”	13 June 2024, being the date on which the Shares are listed on the Stock Exchange

Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LPHappy Family Trust”	the discretionary trust established on 28 June 2021 by Dr. Lai Lipeng as the settlor with TMF (Cayman) Ltd. as the trustee
“LPHappy Holding”	LPHappy Holding Limited, a company incorporated in the BVI with limited liability on 28 June 2021, which is a holding vehicle wholly owned by TMF (Cayman) Ltd., the trustee of the LPHappy Family Trust
“MH Fund Trust”	the discretionary trust established on 29 June 2021 by Dr. Ma Jian as the settlor with TMF (Cayman) Ltd. as the trustee
“MH International Holdings”	MH International Holdings Limited, a company incorporated in the BVI with limited liability on 28 June 2021, which is a holding vehicle wholly owned by TMF (Cayman) Ltd., a trustee of MH Fund Trust
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Ordinary Share(s)” or “Share(s)”	the ordinary share(s) of US\$0.00001 each (or such par value as adjusted from time to time) in the share capital of the Company
“Pathfinder SII”	has the meaning ascribed to it in Chapter 2.5 of the HKEX Guide, and unless the context otherwise requires, refers to the Pre-IPO Investor(s) the details of which are set out in “History, Development and Corporate Structure — Pre-IPO Investments — Information about the Pre-IPO Investors — Our Pathfinder SIIs and Sophisticated Independent Investors” in the Prospectus
“Post-IPO RSU Scheme”	the restricted share unit scheme conditionally adopted by the Shareholders on 28 May 2024 which came into effect upon Listing
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by the Shareholders on 28 May 2024 which came into effect upon Listing
“Pre-IPO ESOP”	the QuantumPharm Inc. 2021 Omnibus Incentive Plan as adopted by the Shareholders on 14 July 2021 and amended on 5 August 2021
“Pre-IPO Investor(s)”	the investor(s) of the pre-IPO investment(s) in the Company, the details of which are set out in “History, Development and Corporate Structure—Pre-IPO Investments” in the Prospectus
“Prospectus”	the prospectus of the Company dated 4 June 2024
“QuantumPharm Employee Benefit Trust”	the discretionary trust established on 28 June 2021 with TMF Trust (HK) Limited as trustee and 13 employees and ex-employees of our Group as beneficiaries for the purpose of managing and administering the options granted to them under the Pre-IPO ESOP

Definitions

“QuantumPharm Employee Holdings”	QuantumPharm Employee Holdings, a company incorporated in the BVI with limited liability on 25 June 2021, which is a holding vehicle wholly owned by TMF Trust (HK) Limited as trustee of the QuantumPharm Employee Benefit Trust
“QuantumPharm Holdings”	QuantumPharm Holdings Limited, a company incorporated in the BVI with limited liability on 25 April 2017, which is owned as to 1% by SSBL Holdings and 99% by WSH Family Holdings
“QuantumPharm Roc”	QuantumPharm Roc Holdings Limited, a company incorporated in the BVI with limited liability on 12 April 2019, which is wholly owned by QuantumPharm Holdings
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the six months ended 30 June 2024
“Scheme Limit”	the maximum number of Shares in respect of which options and awards may be granted under the share schemes of the Company
“SeveningBAAlpha”	SeveningBAAlpha Limited, a company incorporated in the BVI with limited liability on 20 May 2021, which is owned as to 1% by Sevening B Holdings and 99% by LPHappy Holding
“Sevening B Holdings”	Sevening B Holdings Limited, a company incorporated in the BVI with limited liability on 20 April 2017, which is wholly owned by Dr. Lai Lipeng
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“SSBL Holdings”	SSBL Holdings Limited, a company incorporated in the BVI with limited liability on 20 April 2017, which is wholly owned by Dr. Wen Shuhao
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“TCM”	traditional Chinese medicine
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US\$”	United States dollars, the lawful currency of the United States
“WSH Family Holdings”	WSH Family Holdings Limited, a company incorporated in the BVI with limited liability on 27 August 2021, which is a holding vehicle wholly owned by TMF (Cayman) Ltd., a trustee of the WSH Family Trust
“WSH Family Trust”	the discretionary trust established on 28 June 2021 by Dr. Wen Shuhao as the settlor with TMF (Cayman) Ltd. as the trustee
“%”	per cent

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