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**XtalPi**  
**晶泰科技**  
**QuantumPharm Inc.**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2228)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of QuantumPharm Inc. (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of 2023. These unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**FINANCIAL SUMMARY**

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>102,630</b>	79,967
Research and development expenses	<b>(210,390)</b>	(234,421)
Loss for the period	<b>(1,237,550)</b>	(620,297)
Adjusted net loss (non-IFRS measure) *	<b>(251,396)</b>	(357,522)

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	For the six months ended	
		30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	2	102,630	79,967
Research and development expenses	3	(210,390)	(234,421)
General and administrative expenses	3	(234,314)	(101,165)
Contract fulfillment costs	3	(55,478)	(58,254)
Selling and marketing expenses	3	(34,638)	(29,640)
Impairment losses on financial assets		(270)	(104)
Other income		42,360	7,736
Other losses, net		(2,761)	(99,109)
<b>Operating loss</b>		<b>(392,861)</b>	<b>(434,990)</b>
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		(875,356)	(231,164)
Share of net losses of investments accounted for using equity method		(2,014)	(1,013)
<b>Loss before income tax</b>		<b>(1,237,550)</b>	<b>(620,297)</b>
Income tax expense	4	—	—
<b>Loss for the period</b>		<b>(1,237,550)</b>	<b>(620,297)</b>
<b>Loss for the period attributable to:</b>			
Equity holders of the Company		(1,237,016)	(613,006)
Non-controlling interests		(534)	(7,291)
		<b>(1,237,550)</b>	<b>(620,297)</b>
<b>Loss per share for loss attributable to equity holders of the Company</b> (expressed in RMB per share)			
Basic loss per share	5	(1.70)	(1.27)
Diluted loss per share		<b>(1.70)</b>	<b>(1.27)</b>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<b>(1,237,550)</b>	<b>(620,297)</b>
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	<b>(19,774)</b>	(37,163)
— Currency translation differences	<b>(10,924)</b>	(168,444)
Items that may be subsequently reclassified to profit or loss		
— Currency translation differences	<b>(11,465)</b>	(58,111)
Other comprehensive loss for the period, net of tax	<b>(42,163)</b>	(263,718)
<b>Total comprehensive loss for the period, net of tax</b>	<b>(1,279,713)</b>	<b>(884,015)</b>
<b>Total comprehensive loss for the period attributable to:</b>		
Equity holders of the Company	<b>(1,279,395)</b>	(877,069)
Non-controlling interest	<b>(318)</b>	(6,946)
	<b>(1,279,713)</b>	<b>(884,015)</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

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

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at <b>30 June 2024</b>	As at 31 December 2023
	<i>Note</i>	<i>RMB'000</i> <b>(Unaudited)</b>	<i>RMB'000</i> (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>75,422</b>	137,183
Convertible redeemable preferred shares		—	10,780,342
Deferred government grants		<b>21,778</b>	32,042
		<b>97,200</b>	10,949,567
<b>Current liabilities</b>			
Trade payables	8	<b>7,701</b>	13,654
Other payables and accruals		<b>95,808</b>	131,289
Short-term bank borrowings		<b>64,900</b>	60,000
Derivative financial instruments		—	560
Deferred government grants		<b>7,155</b>	7,433
Contract liabilities		<b>25,059</b>	25,658
Lease liabilities		<b>23,250</b>	58,782
		<b>223,873</b>	297,376
<b>Total liabilities</b>		<b>321,073</b>	11,246,943
<b>Total equity and liabilities</b>		<b>4,462,607</b>	4,005,701

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Net cash used in operating activities	<u>(299,294)</u>	<u>(298,988)</u>
<b>Cash flows from investing activities</b>		
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
<b>Net cash generated from investing activities</b>	<u>48,651</u>	<u>788,030</u>
<b>Cash flows from financing activities</b>		
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)
<b>Net cash generated from/(used in) financing activities</b>	<u>828,056</u>	<u>(20,094)</u>
<b>Net increase in cash and cash equivalents</b>	<b>577,413</b>	<b>468,948</b>
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)
<b>Cash and cash equivalents at end of the period</b>	<u><b>1,313,710</b></u>	<u><b>1,041,727</b></u>

# NOTES

## 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.

### 1.1 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:

		<b>Effective for accounting periods beginning on or after</b>
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.

**2 REVENUE**

Revenue disaggregated by revenue source as follows:

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



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:

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

\* 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:

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

\* the People's Republic of China.

### 3 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:

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

## 4 INCOME TAX EXPENSE

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

### 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.

#### *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.

## 5 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	2023
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	<u>1,237,016</u>	<u>613,006</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>729,148</u>	<u>483,979</u>
Basic loss per share (expressed in RMB per share)	<u>(1.70)</u>	<u>(1.27)</u>

### (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.

## 6 DIVIDENDS

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

## 7 TRADE RECEIVABLES

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

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

	As at <b>30 June</b> <b>2024</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (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
	<u>60,617</u>	<u>40,326</u>

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

	For the six months ended <b>30 June</b>	
	<b>2024</b> <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
<b>At beginning of the period</b>	1,820	1,772
Increase in loss allowance recognised in the consolidated statements of profit or loss	<u>268</u>	<u>7</u>
<b>At end of the period</b>	<u>2,088</u>	<u>1,779</u>

## 8 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 ageing analysis of trade payables, based on invoice date, is as follows:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

We are a globally leading, quantum physics-based, AI-powered, and robotics-driven, innovative research and development (“**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 of the Company (the “**Ordinary Shares**” or “**Shares**”) have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 13 June 2024 (the “**Listing Date**”). We are the first Specialist Technology Company listed under Chapter 18C of the Rules Governing the Listing of Securities on the Stock Exchange (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  $\beta$ -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.

#### ***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.

- 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 traditional Chinese medicines (“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.

### **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.

### **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.

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.

## **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 REVIEW**

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

## **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:

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

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.

### **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:

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

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 fair value through profit or loss (“**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 will 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.

## **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 will 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:

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

## **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.



## **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.)

## **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.

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.

## 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
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>R&amp;D expenses</b>	<b>210,390</b>	234,421
<b>Adjustments:</b>		
Add: Intangible assets acquired from third parties and capitalised	<b>1,735</b>	4,332
Less: Amortisation expenses of capitalised intangible assets included in R&D expenditure	<b>(1,212)</b>	(2,207)
<b>R&amp;D expenditure</b>	<b><u>210,913</u></b>	<b><u>236,546</u></b>

## 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.)

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	Cost of investment	Fair value as of	Percentage of fair value relative to total assets	Fair value gain during the six months ended
		30 June 2024		30 June 2024		30 June 2024
		RMB (million)	RMB (million)	RMB (million)		RMB (million) (unrealised)
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.

## **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.)

## **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 as set out in Appendix C1 to the Listing Rules 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 Company's 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.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (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.

## **USE OF PROCEEDS FROM LISTING**

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 of the Company dated 4 June 2024. 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. To the extent that the net proceeds of the Global Offering are not immediately used for the purposes stated in the prospectus, and to the extent permitted by the relevant laws and regulations, we deposit the proceeds in short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under SFO or applicable laws and regulations in the other jurisdictions).

## **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.



## **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 statements of the Group for the Reporting Period and discussed with the management and auditors 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.

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

This announcement is published on the respective websites of the Company ([www.xtalpi.com](http://www.xtalpi.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report for the Reporting Period will be made available on the respective websites of the Company and the Stock Exchange as and when appropriate.

By order of the Board  
**QuantumPharm Inc.**  
**Dr. Wen Shuhao**  
*Chairman of the Board and Executive Director*

Hong Kong, 28 August 2024

*As at the date of this announcement, the Board comprises Dr. Wen Shuhao, Dr. Ma Jian, Dr. Lai Lipeng and Dr. Jiang Yide Alan as executive Directors, Dr. Gu Cuiping as a non-executive Director, and Mr. Law Cheuk Kin Stephen, Ms. Chan Wing Ki and Mr. Chow Ming Sang as independent non-executive Directors.*