江蘇荃信生物醫藥股份有限公司
Qyuns Therapeutics Co., Ltd.

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

Stock code：2509

2024
INTERIM REPORT

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Corporate Information

Board of Directors

Executive Directors

Mr. Qiu Jiwan
(Chairman and Chief Executive Officer)
Mr. Wu Yiliang
Mr. Lin Weidong

Non-executive Directors

Mr. Yu Xi
Mr. Wu Zhiqiang
Dr. Xue Mingyu

Independent Non-Executive Directors

Dr. Zou Zhongmei
Dr. Ling Jianqun
Mr. Fung Che Wai, Anthony

Supervisors

Mr. Ye Xiang
Dr. Ding Chao
Ms. Wang Yujiao

Joint Company Secretaries

Mr. Hu Yanbao
Ms. Tang King Yin

Audit Committee

Mr. Fung Che Wai, Anthony *(Chairman)*
Mr. Wu Zhiqiang
Dr. Ling Jianqun

Remuneration and Appraisal Committee

Dr. Ling Jianqun *(Chairman)*
Dr. Zou Zhongmei
Mr. Qiu Jiwan

Nomination Committee

Mr. Qiu Jiwan *(Chairman)*
Dr. Zou Zhongmei
Dr. Ling Jianqun

Strategy and Development Committee

Mr. Qiu Jiwan *(Chairman)*
Mr. Yu Xi
Dr. Xue Mingyu

Authorised Representatives

Mr. Qiu Jiwan
Ms. Tang King Yin

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Legal Advisors

as to Hong Kong laws

Jingtian & Gongcheng LLP
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Edinburgh Tower, The Landmark
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Central
Hong Kong

as to PRC laws

JC MASTER LAW (TAI ZHOU) OFFICES
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Taizhou
Jiangsu Province
PRC

Compliance Adviser

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Principal Place of Business in Hong Kong

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Principal Banks

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No. 215 North Youth Road
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PRC

Shanghai Pudong Development Bank High-tech Zone Branch
1/F, Data Building
Medical New and High-tech Zone
Taizhou, Jiangsu
PRC

China Merchants Bank Taizhou Branch
No. 293-10 South Gulou Road
Hailing District
Taizhou, Jiangsu
PRC

Hong Kong H Share Registrar and Transfer Office

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

Stock Name

Qyuns Therapeutics Co., Ltd.

Stock Code

2509

Company's Website

www.qyuns.net

Financial Highlights

Operating Results	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	unaudited	unaudited
Revenue	**44,919**	–
Cost of sales	**(7,163)**	–
Other net income	**7,402**	9,676
Research and development expenses	**(145,226)**	(168,842)
Loss for the period	**(183,139)**	(265,642)
Loss per share – Basic and diluted *(in RMB)*	**(0.79)**	(1.28)

Financial Position	As of	
	June 30, 2024	December 31, 2023
	RMB'000	*RMB'000*
	unaudited	unaudited
Cash and cash equivalents, restricted cash, and financial assets at fair value through profit or loss (FVPL)	**650,090**	376,714
Total non-current assets	**362,100**	377,254
Total current assets	**712,619**	418,329
Total non-current liabilities	**329,080**	242,857
Total current liabilities	**382,863**	251,776
Net current assets	**329,756**	166,553
Total equity	**362,776**	300,950

Management Discussion and Analysis

BUSINESS REVIEW

Overview

Founded in 2015, we are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline and an established commercial-scale in-house manufacturing capability. As of the Latest Practicable Date, we have two Core Products, QX002N and QX005N, both of which are self-developed. QX002N is an IL-17A inhibitor and we are conducting a Phase III clinical trial for ankylosing spondylitis (AS) in China. QX005N is a monoclonal antibody (mAb) blocking IL-4Rα. In May 2024, we completed first subject enrollment for the Phase III clinical trial of QX005N for both atopic dermatitis (AD) and prurigo nodularis (PN) in China. We have seven other pipeline drug candidates in addition to our Core Products, in particular, QX001S, an IL-12/IL-23p40 inhibitor for psoriasis (Ps), expected to be approved in the fourth quarter of 2024, potentially the first ustekinumab biosimilar in China. QX013N, a humanized IgG1 monoclonal antibody independently developed by the Company, has received the IND clearance and commenced Phase Ia clinical trial in China for treatment of chronic spontaneous urticarial (CSU) in May and June 2024, respectively. QX013N is the first biologic drug candidate targeting c-kit in China. Our pipeline covers four major areas in the autoimmune and allergic disease field, namely, skin, rheumatic, respiratory and digestive diseases. The following chart summarizes our portfolio of drug candidates as of the Latest Practicable Date:

Drug	Target	Indication	Preclinical	IND Approval	Phase I		Phase II	Phase III	BLA Approval	Commercialization Rights	Expected Near-term Milestone
					Ia	Ib					
QX002N ★	IL-17A	AS[1]								Qyuns	Completion of subject enrollment in Q3 2024
		LN									Timing of Phase I to be determined
QX005N ★	IL-4Rα	moderate-to-severe AD in adults[2]								Qyuns, 华东医药 (11)	Phase III FPI in May 2024
		PN[2]									Phase III FPI in May 2024
		CRSwNP									Phase II completion in Q1 2025
		AD in adolescents[3]									Phase Ib/IIa FPI in June 2024
		CSU									Timing of clinical trial to be determined
		moderate-to-severe asthma									Timing of clinical trial to be determined
		COPD									Timing of clinical trial to be determined
QX001S	IL-12/ IL-23p40	moderate-to-severe plaque Ps								华东医药 (4), Qyuns	BLA approval in Q4 2024
		UC/CD									Timing of IND submission to be determined
QX004N	IL-23p19	Ps[5]								翰森制药 (8), Qyuns	Phase II LPI in January 2024 and Phase II primary endpoint data read-out in August 2024
		CD[6]									Phase Ia completion in May 2024
QX006N	IFNAR1	SLE[7]								Qyuns	Phase Ib LPI by Q3 2024
QX008N	TSLP	moderate-to-severe asthma[9]								健康元 (9), Qyuns	Phase Ib to be completed by Joincare
		moderate-to-severe COPD[9]									Led by Joincare
		severe asthma								Qyuns	Timing of Phase I to be determined
QX007N	IL-33	COPD								Qyuns	Timing of Phase I to be determined
		Asthma									Timing of Phase I to be determined
QX013N	c-kit	CSU[10]								Qyuns	Phase Ia FPI in June 2024
QX010N	IL-31R	pruritus								Qyuns	Timing of IND submission to be determined

Skin Rheumatic Respiratory Digestive

China United States

★ Core Product

AD: atopic dermatitis
AS: ankylosing spondylitis
CD: Crohn's disease
COPD: chronic obstructive pulmonary disease

CRSwNP: chronic rhinosinusitis with nasal polyps
CSU: chronic spontaneous urticaria
LN: lupus nephritis
PN: prurigo nodularis

Ps: psoriasis
SLE: systemic lupus erythematosus
UC: ulcerative colitis

IFNAR1: interferon-alpha/beta receptor subunit 1
IL-4Rα: interleukin-4 receptor subunit α
IL-12/IL-23p40: interleukin-12/interleukin-23 subunit p40

IL-17A: interleukin-17A
IL-23p19: interleukin-23 subunit p19
IL-31R: interleukin-31 receptor

IL-33: interleukin-33
TSLP: thymic stromal lymphopoietin
c-kit: a type III receptor tyrosine kinase

Notes:

(1) We continued to proceed with a Phase III clinical trial of QX002N for AS and we expect to complete subject enrollment in the third quarter of 2024.

(2) We commenced a Phase III clinical trial of QX005N for PN and a Phase III clinical trial of QX005N for moderate-to-severe AD in adults, and the FPI for these trials were in May 2024.

(3) We commenced a Phase Ib/IIa clinical trial of QX005N for AD in adolescents and the FPI was in June 2024.

(4) In August 2020, we entered into a collaboration agreement with Zhongmei Huadong, a subsidiary of Huadong Medicine, with respect to the joint development and exclusive commercialization of QX001S in China. We retain the exclusive development and commercialization rights of QX001S outside China.

(5) The LPI for the Phase II clinical trial of QX004N for Ps was in January 2024. We completed Phase II primary endpoint data read-out in August 2024.

(6) As of the Latest Practicable Date, we had completed Phase Ia clinical trial of QX004N for CD.

(7) As of the Latest Practicable Date, we were conducting Phase Ib clinical trial of QX006N for SLE, and expect to complete the subject enrollment by the third quarter of 2024.

(8) In April 2024, we entered into an exclusive outlicensing agreement with Hansoh (Shanghai) regarding the research and development, manufacturing, and commercialization of QX004N in the Authorized Territory (the "**License-Out Agreement**"). The Company retains all its rights to QX004N outside the Authorized Territory.

(9) In January 2024, we entered into a technology transfer agreement with Joincare to grant Joincare an exclusive license to develop, manufacture and commercialize QX008N in China, Hong Kong and Macau. Joincare will be responsible for the BLA application and will be the MAH of QX008N in the aforementioned area, once approved. We retain the exclusive rights to develop, manufacture and commercialize QX008N outside China, Hong Kong and Macau. As of Latest Practicable Date, Joincare is conducting Phase II clinical trial enrollment for COPD in China.

(10) The FPI for the Phase Ia clinical trial for QX013N for CSU was in June 2024.

(11) In July 2024, the Company entered into a Cooperation Agreement with Zhongmei Huadong, pursuant to which Zhongmei Huadong will co-develop QX005N together with the Company, including clinical and non-clinical studies and registration related work. Please refer to the announcement of the Company dated July 21, 2024 and the section headed "Events After The Financial Period" in this interim report for further details.

Our Core Products

QX005N

QX005N is an innovative humanized monoclonal antibody targeting the human IL-4 receptor alpha subunit (IL-4Rα). Through specific binding with IL-4Rα, QX005N blocks the binding of IL-4Rα with both IL-4 and IL-13, and also inhibits the signaling pathways and biological effects mediated by IL-4 and IL-13, thus exerting therapeutic effects on type 2 inflammatory allergic diseases. As of the Latest Practicable Date, QX005N injection has received seven IND approvals for various indications, including moderate-to-severe AD in adults, AD in adolescents aged 12-17, PN, CRSwNP, CSU, asthma, and COPD.

On May 10, 2024, the first subject was enrolled for the Phase III clinical trial of QX005N for moderate-to-severe AD in adults. In addition, the first subject was enrolled for the Phase Ib/IIa clinical trial of QX005N for AD in adolescents in June 2024.

The result of Phase II clinical trial of QX005N for PN was released through oral presentation at the 29th Annual Meeting of Chinese Society of Dermatology. Based on the data from such trial, the CDE granted QX005N the breakthrough therapy designation (BTD) for the treatment of PN in January 2024, signifying its superior clinical benefits compared to current treatment methods. The BTD is designed to expedite the development and regulatory review of innovative drugs demonstrating substantial potential in addressing serious conditions. In addition, on May 29, 2024, the first subject was enrolled for the Phase III clinical trial of QX005N for PN by our Company. This is the first Phase III clinical trial conducted by a Chinese domestic enterprise for the indication of PN in China. Please refer to the announcement of our Company dated May 29 and June 14, 2024 for further information.

We also commenced a Phase II clinical trial of QX005N for CRSwNP in April 2023 and completed subject enrollment of this clinical trial in China in April 2024.

QX002N

QX002N is a high-affinity monoclonal antibody targeting IL-17A, a key player in the pathological mechanism of various autoimmune diseases. IL-17A inhibitors are recommended by prevailing clinical guidelines as second-line standalone treatment (the same designation as TNF inhibitors) for AS patients with high disease activity after receiving first-line traditional treatments. Between the two classes of biologics (i.e., TNF inhibitors and IL-17A inhibitors), IL-17A inhibitors have shown clear clinical benefit in patients who are intolerant to or fail to achieve adequate disease control with TNF-α inhibitors.

We have obtained IND approval for QX002N for AS and LN and plan to prioritize the development of the former indication. QX002N demonstrated promising efficacy in our Phase Ib and Phase II clinical trials for AS. As of the Latest Practicable Date, we were undergoing subject enrollment for the Phase III clinical trials of QX002N for AS, and we expect to complete this clinical trial in the second half of 2025.

Cautionary Statement required under Rule 18A.08(3) of the Listing Rules

There is no assurance that we will ultimately develop or market our Core Products successfully. Shareholders and potential investors of our Company are advised to exercise with caution when dealing in the Shares of our Company.

Our Other Key Drug Candidates

QX001S

QX001S is our first expected commercial drug, the first domestically developed ustekinumab biosimilar with BLA submitted in China and potentially one of the first ustekinumab biosimilars to be approved in China. Initially approved by the FDA in 2009, ustekinumab was the first biologic treatment to selectively inhibit the IL-23 and IL-12 pathways and has been widely regarded as one of the major treatments for Ps worldwide. In 2023, it recorded sales of approximately US$10.9 billion globally (see Johnson & Johnson Reports Q4 and Full-Year 2023 Results dated January 23, 2024).

In our Phase I clinical trial for Ps, QX001S demonstrated a safety and PK profile comparable to that of ustekinumab. In our Phase III clinical trial for Ps, QX001S demonstrated clinical equivalence to ustekinumab in terms of efficacy, safety, immunogenicity and PK profile. Zhongmei Huadong, a subsidiary of Huadong Medicine and our commercialization partner for QX001S, submitted a BLA in China in July 2023, which was accepted by the NMPA in August 2023 and under review as of the Latest Practicable Date. We and Zhongmei Huadong plan to begin commercializing QX001S upon the BLA approval in the fourth quarter of 2024. We expect QX001S to be an affordable drug for a broad section of Ps patients.

We also plan to develop QX001S for the treatment of UC and CD, which was under the preclinical stage as of the Latest Practicable Date.

QX004N

We are developing QX004N, an IL-23p19 inhibitor, for Ps and CD. IL-23p19 has emerged as a key target associated with superior efficacy for Ps patients with more severe symptoms or inadequate response to existing treatments.

The LPI for the Phase II clinical trial of QX004N for Ps was in January 2024. We have completed Phase II primary endpoint data read-out in August 2024.

We also commenced a Phase Ia clinical trial of QX004N for CD in China in February 2023, and have completed this Phase Ia clinical trial in May 2024.

In April 2024, we entered into an exclusive outlicensing agreement with Hansoh (Shanghai) for the research and development, manufacturing, and commercialization of QX004N within the Authorized Territory (the "**License-Out Agreement**"). The Company retains all its rights to QX004N outside the Authorized Territory. Under the terms of the License-Out Agreement, the Company will be entitled to receive an upfront payment of RMB75.0 million and potential payments upon reaching R&D, regulatory and sales-based commercial milestones of up to RMB1,032.0 million, plus tiered royalties on future product sales.

QX008N

QX008N is a humanized IgG1 mAb targeting TSLP, which is designed for the treatment of moderate-to-severe asthma and moderate-to-severe COPD. TSLP-targeting therapy is the only class of biologic drugs globally approved for asthma that can slow disease progression for asthma patients with low-level or no expression of type 2 biomarkers.

QX008N demonstrated a potency superior to an internally prepared tezepelumab analog and exhibited a good safety profile in our Phase Ia clinical trial. In August 2023, we commenced the Phase Ib clinical trial of QX008N in adult patients with moderate-to-severe asthma. In January 2024, we entered into a technology transfer agreement with Joincare to grant Joincare an exclusive license to develop, manufacture and commercialize QX008N in China, Hong Kong and Macau. Going forward, Joincare will be responsible for proceeding with the subsequent clinical trials and the BLA application of QX008N and it will be the MAH of QX008N in the aforementioned area, once approved. We retain the exclusive rights to develop, manufacture and commercialize QX008N outside China, Hong Kong and Macau. As of Latest Practicable Date, Joincare is conducting Phase II clinical trial enrollment for COPD in China.

QX013N

QX013N is a humanized IgG1 mAb targeting c-kit (a type III receptor tyrosine kinase) and indicated for CSU. C-kit is a master regulator of mast cells, which are the primary effector cells in CSU. QX013N specifically binds to c-kit to inhibit the differentiation, maturation, survival, proliferation and degranulation of mast cells, resulting in the reduction and depletion of mast cells for treatment of mast cell-driven diseases such as CSU.

On May 9, 2024, QX013N received the IND clearance from the CDE of the NMPA of China for treatment of CSU. QX013N is the first biologic drug candidate targeting c-kit in China. The approval of QX013N in CSU indicates that the Company has established a comprehensive presence in the four major dermatological indications (psoriasis, atopic dermatitis, prurigo nodularis and CSU), further consolidating its competitive advantages in dermatology. The FPI for the Phase Ia clinical trial of QX013N for CSU was in June 2024, and as of the Latest Practicable Date, we were undergoing the subject enrollment for this Phase Ia clinical trial.

QX006N

We are developing QX006N, an IFNAR1-targeting mAb, for the treatment of SLE. SLE has been a difficult indication for new drug development. SAPHNELO (anifrolumab), a first-in-class IFNAR1 inhibitor, was approved by the FDA in 2021, making it the only new SLE treatment in the most recent ten years.

We completed our Phase Ia clinical trial in healthy subjects (individuals in good general health and not having any mental or physical disorder requiring regular or frequent medication) in July 2023, where QX006N showed a good safety profile. We also initiated a Phase Ib clinical trial in SLE patients in March 2023. As of the Latest Practicable Date, we were conducting Phase Ib clinical trial of QX006N for SLE, and we expect to complete the subject enrollment by the third quarter of 2024.

QX007N

QX007N is a humanized IgG1 monoclonal antibody targeting IL-33, one of the recently discovered members of the IL-1 family. We are developing QX007N for the treatment for moderate-to-severe COPD and asthma. We obtained IND approvals of QX007N for the treatment of COPD and asthma from the NMPA in February 2024.

Research and Development

Research and development ("**R&D**") is crucial to our sustainable success. We are a clinical-stage biotech company exclusively focused on biologic therapies for autoimmune and allergic diseases, with a self-developed drug pipeline. We believe R&D is critical to our ability to grow into a biopharmaceutical company and remain competitive in the industry. We have established an integrated R&D platform as the foundation for our continuous innovation. The platform comprises five R&D components, including (i) mAb screening and function verification; (ii) analytical method development; (iii) cell line screening and process development; (iv) drug formulation development; and (v) preclinical and clinical sample analysis and testing. We also have established a commercial-scale in-house manufacturing facility which supports our R&D activities from preclinical and clinical trial drug manufacturing to future commercial manufacturing. As of June 30, 2024, we are able to conduct our R&D with high efficiency, having obtained 20 IND approvals (19 from the NMPA and 1 from the FDA) over the past 9 years and received a number of awards recognizing our R&D capabilities. We have set up two clinical development centers in Beijing and Shanghai and conduct our R&D activities through an in-house team, as well as engagement of external CROs, as is in line with industry practice. As of June 30, 2024, our in-house R&D team comprised 118 members, approximately 58.47% of which had a master's degree or above in biology or pharmacy-related field.

For the six months ended June 30, 2024, our total R&D costs amounted to approximately RMB145.23 million.

The following table sets forth a breakdown of our total R&D costs:

	For the six months ended June 30	
	2024	2023
	RMB'000	*RMB'000*
Staff costs	**40,683**	48,955
Depreciation and amortization	**10,921**	12,242
Third party contracting costs	**79,636**	85,003
Raw materials and consumables	**6,352**	11,871
Others	**7,634**	10,771
Total	**145,226**	168,842

Manufacturing and Commercialization

Our manufacturing facility was established according to the cGMP standards of China, the United States and the EU (although not GMP-certified due to the termination of the certification mechanism by relevant government agencies in China since 2019). The facility is located at our headquarters in Taizhou, Jiangsu and occupies 57,977 sq.m. of land. Our manufacturing site has one drug substance production line and two formulation production lines. The drug substance production line has four 2,000 L single-use bioreactors and relevant downstream purification production line with an annual manufacturing capacity of approximately 300 kg therapeutic antibodies. The formulation production lines have one vial production line for 2 ml, 10 ml and 30 ml specifications, with a manufacturing capacity of 18,000 vials/hour, and one prefilled syringe fill-finish and packaging production line for 1 ml and 2 ml specifications, with a manufacturing capacity of 9,000 syringes/hour. We have completed the manufacturing of multiple batches of drug substance and drug products (including QX001S and our Core Products, QX002N and QX005N) for various clinical trials, scale-up research and/or BLA-required process validation. We believe that our self-owned cGMP-standard manufacturing capability, coupled with our strong R&D capability, will allow us to achieve reliable cost control and ensure stable clinical and commercial drug supply to weather any supply chain disruptions.

Going forward, we plan to leverage the strong physician resources and networks of established pharmaceutical companies to build connections with participants in the drug sales and distribution chain, to prepare us for future commercial launches of our drug candidates. In the future, we plan to build a relatively small, indication-specialized in-house commercialization team, beginning with indications with relatively limited patient populations treated in a small number of key hospitals, leveraging our deep understanding of these indications and physician resources.

Intellectual Property

As of the Latest Practicable Date, we held 47 patents in China, including 38 invention patents and 9 utility models, as well as 9 patents overseas. As of the same date, we also had 42 patent applications pending in China and overseas. In particular, with respect to our Core Products, we had 8 registered patents and 2 pending patent applications for QX002N and 6 registered patents and 3 pending patent applications for QX005N. All of our patents and patent applications are self-owned. As of the Latest Practicable Date, we had registered 89 trademarks in the PRC and Hong Kong and we submitted applications for 6 trademarks in the PRC. As of the same date, we were also the registered owner of 21 domain names in the PRC. As of June 30, 2024, we had not been involved in any material proceeding in respect of, and we had not received notice of any material claim of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent that may have a material adverse impact on us.

Employees and Remuneration

As of June 30, 2024, the Group had 325 employees, all of whom were based in China.

The number of employees of the Group varies from time to time depending on need. The remuneration package of the Group's employees includes salary, bonus and equity incentives, which are generally determined by their qualifications, industry experience, position and performance. Our Company makes contributions to social insurance and housing provident funds in accordance with relevant laws and regulations.

Our Company has conditionally adopted an Employee Share Incentive Scheme to eligible participants for their contribution or potential contribution to the Group. Please refer to the sections headed "Employee Share Incentive Scheme" in this interim report for further details.

For the six months ended June 30, 2024, the Group did not experience any material labor disputes or strikes that may have a material adverse effect on the Group's business, financial condition or results of operations, or any difficulty in recruiting employees.

Future Outlook

Going forward, we plan to pursue the following strategies, which we believe will further strengthen our core competitive strengths and enable us to capture rising business opportunities:

- Build leadership in dermatology, advance other drug candidates and strategically expand our pipeline;
- Continue to optimize CMC quality management system and improve production efficiency and enhance manufacturing capacity utilization;
- Cooperate with established pharmaceutical companies in commercialization;
- Explore international expansion opportunities; and
- Continue to recruit and develop talent.

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2024 and up to the Latest Practicable Date.

FINANCIAL REVIEW

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this interim report.

Analysis of our Key Items of our Results of Operations

Revenue

The Group's revenue amounted to RMB44.92 million for the six months ended June 30, 2024, which derives from license fee income and R&D service fee income from the licensing-out deals of QX008N and QX004N, which demonstrates the strong R&D abilities of the Group.

Other Net Income

Our other net income decreased by 23.55% from RMB9.68 million for the six months ended June 30, 2023 to RMB7.40 million for the six months ended June 30, 2024. This decrease was primarily attributable to (i) a decrease of RMB1.4 million in other operating profit as the third party CDMO business contracts for 2024 signing were concentrated in the end of 2024 H1; (ii) an increase of impairment provision for third party CDMO contract costs by RMB2.4 million and an increase of RMB2.2 million in government grants, mainly representing government subsidies for encouragement of R&D activities and compensation on the incurred interest expenses of bank loans; and (iii) income from bank deposits/wealth management products decrease by RMB0.5 million with reduced investment in such assets for this period.

Other Net Gain

We recorded an other net gain of RMB1.2 million for the six months ended June 30, 2024, primarily attributable to the foreign currency exchange gains.

Administrative Expenses

Our administrative expenses decreased significantly from RMB98.77 million for the six months ended June 30, 2023 to RMB70.33 million for the six months ended June 30, 2024, primarily attributable to a decrease in equity-settled share-based payment expenses by RMB28.06 million.

Research and Development Expenses

Our R&D expenses decreased by 13.98% from RMB168.84 million for the six months ended June 30, 2023 to RMB145.23 million for the six months ended June 30, 2024, primarily attributable to (i) a decrease of RMB5.52 million of raw materials and consumables, primarily attributable to a decrease in CMC production batches compared to the six months ended June 30, 2023; (ii) RMB7.16 million in Phase II clinical cost of QX004N reclassified as cost of sales under the License-Out Agreement with Hansoh (Shanghai); and (iii) a decrease of RMB7.61 million in equity-settled share-based payment expenses.

Finance Costs

Our finance costs increased by 76.46% from RMB7.90 million for the six months ended June 30, 2023 to RMB13.94 million for the six months ended June 30, 2024, primarily attributable to the increase in the drawdown of bank borrowings to support daily operations.

Analysis of our Key Items of our Financial Position

Net Current Assets

The increase in our net current assets from RMB166.55 million as of December 31, 2023 to RMB329.76 million as of June 30, 2024 was primarily attributable to an increase of RMB252.14 million in cash and cash equivalents as a result of receiving of the IPO proceeds of RMB196.54 million and upfront fee and milestone payment from the licensing-out deals of QX008N and QX004N of RMB117.00 million, partially offset by operating expenditure for current period.

Inventories and Other Contract Costs

We recorded inventories and other contract costs of RMB10.83 million as of June 30, 2024, mainly representing our inventories of QX001S and contract costs for third-party CDMOs.

Prepayments and Other Receivables

Our prepayments and other receivables increased by 61.50% from RMB26.47 million as of December 31, 2023 to RMB42.75 million as of June 30, 2024, primarily attributable to an increase of RMB17.65 million in prepaid expenses primarily due to our increased engagement of CROs and trial sites as we advanced the development of our drug candidates.

Trade and Other Payables

Our trade and other payables decreased slightly from RMB129.91 million as of December 31, 2023 to RMB127.31 million as of June 30, 2024, which generally remained stable.

Contract Liabilities

We had contract liabilities of RMB67.27 million as of June 30, 2024, primarily related to the payment received under our QX004N License-Out Agreement with Hansoh (Shanghai). The payment was recorded as contract liabilities and is expected to be recognized as income upon achievement of technical documents transfer under the respective contract.

Contingent Liabilities

The Group had no material contingent liabilities as of June 30, 2024 (June 30, 2023: Nil).

Liquidity and Capital Resources

We mainly relied on capital contributions by our shareholders, equity financing as the major sources of liquidity as well as bank and other borrowings. As part of our treasury policy, our management monitors and maintains a level of cash and bank balances deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more cash from profit sharing and product supply of QX001S as well as debt financing, milestone fee income from licensing-out deals with QX008N and QX004N, and cost sharing from joint development of QX005N with Zhongmei Huadong.

Indebtedness

We had interest-bearing borrowings of approximately RMB344.14 million and RMB498.64 million as of December 31, 2023 and June 30, 2024, respectively, which primarily consist of a secured bank loan used to support the construction of our manufacturing facility and unsecured bank loans to support our operation.

Cellularforce obtained a secured long-term bank loan of RMB300 million in 2020 from a bank consortium ("**2020 Secured Long-Term Loan**") to support the construction of its manufacturing facilities. The loan was secured by the Cellularforce's land use right and its manufacturing facilities in Taizhou and guaranteed by the Company.

In June 2024, Cellularforce entered into a new loan arrangement with two commercial banks in the PRC ("**2024 Secured Long-Term Loan**") to replace the aforementioned 2020 Secured Long-Term Loan. The 2024 Secured Long-Term Loan was also secured by the Cellularforce's land use right and its manufacturing facilities in Taizhou and guaranteed by the Company. The Group's land use right and manufacturing facilities in Taizhou have been subsequently pledged as collateral in July 2024 under the 2024 Secured Long-Term Loan.

As at June 30, 2024, Cellularforce has drawn down RMB240,000,000 under 2024 Secured Long-Term Loan and repaid RMB219,000,000 of 2020 Secured Long-Term Loan as at June 30, 2024 and repaid the remaining RMB21,000,000 on July 1, 2024. The 2024 Secured Long-Term Loan born interest rates of 3.9%, relatively lower than the interest rates of the 2020 Secured Long-Term Loan which ranged from 4.3% to 4.6% (2023: 4.5% to 4.6%).

The unsecured bank loans for operation use amounted to RMB220.20 million as at June 30, 2024 (December 31, 2023: RMB109.6 million), of which the total amount of loans with a fixed interest rate was RMB124.5 million as of June 30, 2024 (December 31, 2023: RMB59.6 million). The fixed interest rate ranged from 3.3% to 4.2% per annum as of June 30, 2024 (2023: 3.3% to 4.2% per annum).

Key Financial Ratios

Our current ratio increased from 1.66 as of December 31, 2023 to 1.86 as of June 30, 2024, mainly attributable to (i) an increase of RMB16.28 million in our prepayments and other receivables; (ii) receiving of the IPO proceeds of RMB196.54 million; and (iii) upfront fee and milestone payment from the licensing-out deals of QX008N and QX004N of RMB117.00 million, partially offset by an increase in contractual liabilities and borrowings.

Gearing Ratio

The gearing ratio is calculated using interest-bearing bank borrowings less cash and bank balances, divided by total equity and multiplied by 100%. Our gearing ratio was approximately 2.5% as of June 30, 2024.

Charges on Assets

The Group's land use right and manufacturing facilities in Taizhou have been pledged as collateral in July 2024 under the 2024 Secured Long-Term Loan. The details of the pledged asset of the Group are set out in Note 14 to the Consolidated Financial Statements.

MARKET RISKS

The Group is exposed to various types of market risks and other financial risks, including cash flow and fair value interest rate risk, credit risk, liquidity risk and currency risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to other receivables. Our exposure to credit risk arising from cash and cash equivalents and wealth management products is limited because the counterparties are reputable banks or financial institution, for which we consider to have low credit risks.

Our management has assessed that, for the six months ended June 30, 2024, other receivables had not had a significant increase in credit risk since initial recognition. Thus, our management adopts a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date. Our management expects the occurrence of losses from non-performance by the counterparties of other receivables to be remote and loss allowance provision for other receivables to be immaterial. The expected credit loss rate is insignificant and close to zero.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by our Shareholders when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively. We regularly review our strategy on interest rate risk management in the light of the prevailing market condition. The Group had not used any interest rate swaps to hedge its exposure to interest rate risk for the six months ended June 30, 2024.

Foreign currency risk

We are exposed to currency risk primarily through deposits with bank which give rises to cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transactions relate. The currencies primarily relevant to this risk are the U.S. dollars and Hong Kong dollars. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency.

CAPITAL STRUCTURE

The shares of our Company were listed on Main Board of the Stock Exchange on the Listing Date. Save as disclosed in this interim report, there has been no material change in the capital structure of our Company since that date.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

In order to effectively utilize the Group's idle funds and generate better returns, during the Reporting Period, the Group subscribed for and held various wealth management products (primarily principal-protected floating return wealth management products) managed by local branches of national commercial banks or regional commercial banks in Jiangsu province. We believe that investment in low-risk financial products, such as wealth management products, helps us make better use of our cash while ensuring sufficient cash flow for business operations or capital expenditures. Considering that these wealth management products are short-term and principal-protected, we believe our credit risk exposure is limited.

During the Reporting Period and after the Listing Date, the Group held four wealth management products with the value exceeding 5% of the Group's total assets as of December 31, 2023, details of which are as follows:

Product name	Subscribed bank	Confirmation date of subscription	Maturity date	Principal amount of subscription	Expected rate of return of the product (per annum)	Product type	Risk level of the product
Liduoduo Corporate Stable Profit 24JG5402 (Three Level Bullish) RMB Public Structured Deposit (利多多公司穩利24JG5402期(三層看漲)人民幣對公結構性存款)	PDB	April 15, 2024	July 15, 2024	RMB60 million	The product has a guaranteed yield of 1.20% and a floating yield of 0% or 1.10% (mid-range floating yield) or 1.30% (high-range floating yield)	Principal-guaranteed floating-yield type	Low risk (internal risk assessment results of PDB, for reference only)
Liduoduo Corporate Stable Profit 24JG3294 (Monthly Rollover) RMB Public Structured Deposit (利多多公司穩利24JG3294期(月月滾利)人民幣對公結構性存款)	PDB	June 3, 2024	June 28, 2024	RMB100 million	The product has a guaranteed yield of 1.20% and a floating yield of 0% or 1.30% (mid-range floating yield) or 1.50% (high-range floating yield)	Principal-guaranteed floating-yield type	Low risk (internal risk assessment results of PDB, for reference only)

Product name	Subscribed bank	Confirmation date of subscription	Maturity date	Principal amount of subscription	Expected rate of return of the product (per annum)	Product type	Risk level of the product
Public RMB Structured Deposit 2024 No. 17 3-Month Type-A (對公人民幣結構性存款2024年第17期3個月A款)	JSB	April 24, 2024	July 24, 2024	RMB50 million	If the subject linked to the product does not exceed or reach the target upper limit on the product observation day, the expected yield of the product shall be 1.20% (annualized); if the subject linked to the product exceeds or reaches the target upper limit on the product observation day, the expected yield of the product shall be 3.05% (annualized)	Principal-guaranteed floating-yield type	One star (internal risk assessment results of JSB, for reference only)
ICBC Linked Exchange Rate Range Cumulative Corporate RMB Structured Deposit Product – Special Account 2024 No. 228 Type-D (中國工商銀行掛鈎匯率區間累計型法人人民幣結構性存款產品-專戶型2024年第228 期D款)	ICBC	June 6, 2024	July 8, 2024	RMB50 million	Expected minimum annualized yield of 0.95%; maximum annualized yield of 2.29%	Principal-guaranteed floating-yield type	Grade PR1 (internal risk assessment results of ICBC, for reference only)

For further details about the above subscriptions, please refer to the announcement of the Company dated July 2, 2024.

Our investment strategy is relatively prudent. We have implemented a series of treasury policies and internal control policies and rules setting forth overall principles, focusing on the appreciation of capital and supporting our liquidity needs in a manner that is consistent with our overall financial goals and risk considerations. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, R&D and capital expenditures after purchasing such wealth management products. We adopt a prudent approach in selecting financial products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as duration of the investment and the expected returns. We generally limit our investments to wealth management products described as having low level risks and offered by major and reputable commercial banks, and we do not permit investment in stock for trading or speculative purposes. In addition, all investments in wealth management products should comply with applicable laws and regulations. Under our investment policy, our finance department personnel should prepare wealth management products purchase plan, based on anticipated expenditures, operational expenses, our cash and bank balances and information of the relevant wealth management products, for the head of finance department and general manager to review.

Save as disclosed above, our Company had no other significant investments, material acquisitions and/or disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus and the section headed "USE OF PROCEEDS FROM THE GLOBAL OFFERING" in this interim report, the Group did not have plan for material investments and capital assets as of the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended June 30, 2024.

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

Since the Listing Date and up to the date of this interim report, there is no change in the information of the Directors and Supervisors of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As of June 30, 2024, so far as was known to the Directors, the following persons/entities (other than the Directors, Supervisors or chief executive of our Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by our Company under the SFO were as follows:

Long Positions in Shares of our Company

Name of Shareholder	Nature of interest	Type of Shares[2]	Number[1]	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital[15] *(approx.)*
Hangzhou Quanyi[3]	Beneficial owner	H Shares	40,000,000 (L)	19.54%	18.01%
Xinfu Tongxin[4]	Beneficial owner	H Shares	15,550,000 (L)	7.59%	7.00%
Mr. Qiu[3][4][5][6]	Beneficial owner	Unlisted Shares	10,000,000 (L)	57.73%	31.77%
	Interest in controlled corporations	H Shares	60,550,000 (L)	29.57%	
Ms. Xu Qiu (許秋)[7]	Interest of spouse	Unlisted Shares	10,000,000 (L)	57.73%	31.77%
		H Shares	60,550,000 (L)	29.57%	
Mr. Yu Guo'an (余國安)[3]	Interest in a controlled corporation	H Shares	40,000,000 (L)	19.54%	18.01%
Ms. Zhu Jing (朱靜)[8]	Interest of spouse	H Shares	40,000,000 (L)	19.54%	18.01%
Zhongmei Huadong[9]	Beneficial owner	H Shares	35,900,000 (L)	17.53%	16.17%
Huadong Medicine[9]	Beneficial owner	H Shares	37,876,800 (L)	18.50%	17.05%
China Grand Enterprises Incorporation (中國遠大集團有限責任公司) ("**China Grand**")[9]	Interest in controlled corporations	H Shares	37,876,800 (L)	18.50%	17.05%
Beijing Grand Huachuang Investment Co., Ltd. (北京遠大華創投資有限公司) ("**Beijing Grand**")[9]	Interest in controlled corporations	H Shares	37,876,800 (L)	18.50%	17.05%
Mr. Hu Kaijun (胡凱軍)[9]	Interest in controlled corporations	H Shares	37,876,800 (L)	18.50%	17.05%
Hongtai Health[10]	Beneficial owner	H Shares	18,750,000 (L)	9.16%	8.44%

Name of Shareholder	Nature of interest	Type of Shares[2]	Number[1]	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital[15] *(approx.)*
Hongtai Aplus[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Qingdao Xinchen Sci-Tech Innovation Industrial Co., Ltd (青島鑫宸科創實業有限公司) ("**Qingdao Xinchen**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Mr. Sheng Xitai (盛希泰)[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Zijin Trust Co., Ltd. (紫金信託有限責任公司) ("**Zijin Trust**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Nanjing Zijin Investment Group Co., Ltd. (南京紫金投資集團有限責任公司) ("**Nanjing Zijin**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Nanjing State owned Assets Investment & Management Holding (Group) Co., Ltd. (南京市國有資產投資管理控股(集團)有限責任公司) ("**Nanjing Assets**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Taizhou Huacheng Medical Investment Group Co., Ltd. (泰州華誠醫學投資集團有限公司) ("**Taizhou Huacheng**")[10]	Interest in controlled corporations	H Shares	18,750,000 (L)	9.16%	8.44%
Taizhou Jianxin Venture Capital Co., Ltd. (泰州健鑫創業投資有限公司) ("**Taizhou Jianxin**")[11]	Beneficial owner	Unlisted Shares	3,750,000 (L)	21.65%	6.02%
	Interest in controlled corporations	H Shares	9,680,400 (L)	4.73%	
Taizhou Huayin[11][12]	Interest in controlled corporations	Unlisted Shares	3,750,000 (L)	21.65%	9.40%
		H Shares	17,180,400 (L)	8.39%	

Name of Shareholder	Nature of interest	Type of Shares[2]	Number[1]	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital[15] *(approx.)*
Taizhou Medical High-tech Industry Investment Development Co., Ltd. (泰州醫藥高新技術產業投資發展有限公司) ("**Taizhou Medical High-tech**")[11][12]	Interest in controlled corporations	Unlisted Shares	3,750,000 (L)	21.65%	9.40%
		H Shares	17,180,400 (L)	8.39%	
Taizhou Medicine City Holding Group Co., Ltd. (泰州醫藥城控股集團有限公司) ("**Taizhou Medicine**"),[10][11][12]	Interest in controlled corporations	Unlisted Shares	3,750,000 (L)	21.65%	17.84%
		H Shares	35,930,400 (L)	17.55%	
MCP VI L.P. [13]	Interest in controlled corporations	H Shares	10,920,000 (L)	5.33%	4.92%
MPC GPGP VI Ltd. [13]	Interest in controlled corporations	H Shares	10,920,000 (L)	5.33%	4.92%
Jiaxing Jiquan Equity Investment Partnership (Limited Partnership) (嘉興集荃股權投資合夥企業(有限合夥)) ("**Jiaxing Jiquan**")[14]	Beneficial owner	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Shanghai Jincheng Equity Investment Fund Management Co., Ltd (上海晉成股權投資基金管理有限公司) ("**Shanghai Jincheng**")[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Mr. Xiong Yongxiang (熊永祥)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Ms. Zheng Qing'ai (鄭青愛)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Shanghai Jincheng Enterprise Development Group Co., Ltd (上海晉成企業發展集團有限公司) ("**Shanghai Jincheng Group**")[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%

Name of Shareholder	Nature of interest	Type of Shares[2]	Number[1]	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital[15] *(approx.)*
Jincheng (Shanghai) Industrial Co., Ltd (晉成(上海)實業有限公司) ("**Jincheng Industrial**")[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Mr. Gu Dongchen (顧棟臣)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%
Mr. Gu Zhiqiang (顧志強)[14]	Interest in controlled corporations	Unlisted Shares	3,572,400 (L)	20.62%	1.61%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Unlisted Shares and H Shares are regarded as two different types of Shares. For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(3) Hangzhou Quanyi is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both being its general partners acting in concert pursuant to the supplemental partnership agreement of Hangzhou Quanyi. By virtue of the SFO, each of Mr. Qiu and Mr. Yu Guo'an is deemed to be interested in the Shares held by Hangzhou Quanyi.

(4) Mr. Qiu is the general partner who holds approximately 8.27% interest in Xinfu Tongxin. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Xinfu Tongxin.

(5) Mr. Qiu is the general partner who holds approximately 45.71% interest in Shanghai Quanyou. Shanghai Quanyou holds 5,000,000 Shares, representing approximately 2.38% and 2.25% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Shanghai Quanyou.

(6) Mr. Qiu directly holds 10,000,000 Shares, representing approximately 4.76% and 4.50% of our Shares in issue immediately prior to and following the completion of the Global Offering.

(7) Ms. Xu Qiu is the spouse of Mr. Qiu. By virtue of the SFO, Ms. Xu Qiu is deemed to be interested in the Shares held by Mr. Qiu.

(8) Ms. Zhu Jing is the spouse of Mr. Yu Guo'an. By virtue of the SFO, Ms. Zhu Jing is deemed to be interested in the Shares held by Mr. Yu Guo'an.

(9) Zhongmei Huadong is wholly owned by Huadong Medicine. Huadong Medicine is owned as to approximately 41.67% by China Grand as its controlling shareholder. China Grand is owned as to approximately 92.97% by Beijing Grand, which is wholly owned by Mr. Hu Kaijun. By virtue of the SFO, each of Huadong Medicine, China Grand, Beijing Grand and Mr. Hu Kaijun is deemed to be interested in the Shares held by Zhongmei Huadong.

(10) Hongtai Health is owned as to approximately 0.88% by Hongtai Aplus as its general partner, 55.07% by Taizhou Huacheng and 44.05% by Zijin Trust, both being its limited partners. Hongtai Aplus is wholly owned by Qingdao Xinchen, a company controlled by Mr. Sheng Xitai. Taizhou Huacheng is owned as to approximately 94.30% by Taizhou Medicine. Zijin Trust is owned as to approximately 50.67% by Nanjing Zijin, a company wholly owned by Nanjing Assets. By virtue of the SFO, each of Hongtai Aplus, Qingdao Xinchen, Mr. Sheng Xitai, Taizhou Huacheng, Taizhou Medicine, Zijin Trust, Nanjing Zijin and Nanjing Assets is deemed to be interested in the Shares held by Hongtai Health.

(11) Taizhou Jianxin is an investment fund company managed by Taizhou Huaxin, a company owned as to approximately 91.25% by Taizhou Huayin. Taizhou Huayin is owned as to approximately 41.76% by Taizhou Medical High-tech, 31.50% by Taizhou Oriental (a company owned as to 90% by Taizhou Medicine), and 10.50% by Taizhou Huacheng (a company owned as to approximately 94.30% by Taizhou Medicine). Taizhou Jianxin holds 7,500,000 Shares, representing approximately 3.57% and 3.38% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, each of Taizhou Huaxin, Taizhou Huayin, Taizhou Medical High-tech and Taizhou Medicine is deemed to be interested in the Shares held by Taizhou Jianxin.

(12) Rongjianda is an investment fund company managed by Rongjianda VC, which is owned as to 81% by Taizhou Huayin. Rongjianda is owned as to approximately 33.33% by Taizhou High-tech Industry Investment Development Co., Ltd. (泰州市高新產業投資有限公司) ("Taizhou High-tech"), 33.33% by Taizhou Huayin and 32.33% by Taizhou Huajian, a company wholly owned by Taizhou Huayin. Taizhou High-tech is a wholly owned subsidiary of Taizhou Financial Holding Group Co., Ltd. (泰州市金融控股集團有限公司) ("**Taizhou Financial**"), a company owned as to approximately 60.13% by Taizhou People's Municipal Government State-owned Assets Supervision and Administration Commission (泰州市人民政府國有資產監督管理委員會). Taizhou Huayin is owned as to approximately 41.76% by Taizhou Medical High-tech, 31.50% by Taizhou Oriental (a company owned as to 90% by Taizhou Medicine), and 10.50% by Taizhou Huacheng (a company owned as to approximately 94.30% by Taizhou Medicine). Rongjianda holds 7,500,000 Shares, representing approximately 3.57% and 3.38% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, each of Rongjianda VC, Taizhou High-tech, Taizhou Financial, Taizhou Huayin, Taizhou Medical High-tech and Taizhou Medicine is deemed to be interested in the Shares held by Rongjianda.

(13) The general partner of MPC VI L.P. and MPC VI-A L.P. is MPC Management VI L.P.. The general partner of MPC Management VI L.P. is MPC GPGP VI Ltd.. MPC VI L.P. and MPC VI-A L.P. in aggregate hold 10,920,000 Shares, representing approximately 5.20% and 4.92% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, each of MPC Management VI L.P. and MPC GPGP VI Ltd. is deemed to be interested in the Shares held by MPC VI L.P. and MPC VI-A L.P..

(14) Jiaxing Jiquan is a limited partnership owned as to approximately 1.67% by Shanghai Jincheng as its general partner, 45% by Mr. Xiong Yongxiang and approximately 33.33% by Ms. Zheng Qing'ai, being two of its limited partners. Shanghai Jincheng is owned as to 90% by Shanghai Jincheng Group. Shanghai Jincheng Group is owned as to 99% by Jincheng Industrial, a company owned as to 50% by Mr. Gu Dongchen and 50% Mr. Gu Zhiqiang.

(15) As of the Latest Practicable Date, our Company has 222,071,600 total issued Shares.

Long positions in equity interest of members of our Group

Name of Shareholder	Member of our Group	Nature of interest	Equity interest held immediately following the completion of the Global Offering *(approx.)*
Taizhou Huacheng[(1)]	Cellularforce	Beneficial owner	34.00%
Taizhou Medicine[(1)]	Cellularforce	Interest in controlled corporation	34.00%

Note:

(1) Taizhou Huacheng is owned as to approximately 94.30% by Taizhou Medicine. By virtue of the SFO, Taizhou Medicine is deemed to be interested in the equity interest held by Taizhou Huacheng.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors, Supervisors and chief executive of our Company) who had interests or short positions in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by our Company under the SFO.

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

As of the June 30, 2024, the interests and short positions of the Directors, Supervisors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code contained in Appendix C3 of the Listing Rules, to be notified to our Company and the Stock Exchange were as follows:

Interest in Shares of our Company

Name	Capacity	Nature of interest	Type of Shares	Number of Shares[1]	Approximate percentage of shareholding in the relevant type of Shares	Approximate percentage of shareholding in the total issued share capital[6]
Mr. Qiu [2][3][4][5]	Executive Director, Chairman and Chief Executive Officer	Beneficial owner	Unlisted Shares	10,000,000 (L)	57.73%	31.77%
		Interest in controlled corporations	H Shares	60,550,000 (L)	29.57%	

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Hangzhou Quanyi is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both being its general partners acting in concert pursuant to the supplemental partnership agreement of Hangzhou Quanyi. By virtue of the SFO, each of Mr. Qiu and Mr. Yu Guo'an is deemed to be interested in the Shares held by Hangzhou Quanyi.

(3) Mr. Qiu is the general partner who holds approximately 8.27% interest in Xinfu Tongxin. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Xinfu Tongxin.

(4) Mr. Qiu is the general partner who holds approximately 45.71% interest in Shanghai Quanyou. Shanghai Quanyou holds 5,000,000 Shares, representing approximately 2.38% and 2.25% of our Shares in issue immediately prior to and following the completion of the Global Offering. By virtue of the SFO, Mr. Qiu is deemed to be interested in the Shares held by Shanghai Quanyou.

(5) Mr. Qiu directly holds 10,000,000 Shares, representing approximately 4.76% and 4.50% of our Shares in issue immediately prior to and following the completion of the Global Offering.

(6) As of the Latest Practicable Date, our Company has 222,071,600 total issued Shares.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors, Supervisors or chief executive of our Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since the Listing Date and as of the Latest Practicable Date, neither our Company nor any of its subsidiaries purchased, sold or redeemed any listed securities (including sale of treasury shares) (as defined in the Listing Rules) of our Company.

As at the date of this interim report, the Company did not hold any treasury shares (as defined in the Listing Rules).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of our Company by the Directors and Supervisors.

Specific enquiry has been made of all the Directors and Supervisors, all the Directors and Supervisors have confirmed that they have complied with the Model Code since the Listing Date and up to the date of this interim report.

EMOLUMENT POLICY

The emoluments of the Directors and senior management of the Group are determined by the Board with reference to the respective responsibilities and duties, experience, individual performance, and time devoted to the Group and may be adjusted upon the recommendation of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee was set up for reviewing our Company's emolument policy and structure of all remuneration of the Directors and senior management of our Company.

EMPLOYEE SHARE INCENTIVE SCHEME

The Employee Share Incentive Scheme (the "**Scheme**") had been approved and adopted by the resolutions of our Shareholders at the extraordinary general meeting of our Company held on September 15, 2022, to establish and improve the long-term incentive mechanism of our Group, better retain and motivate the employees and consultants of our Group and share the growth in earnings of our Group with the eligible participants (the "**Participants**"), including principally core management members and core personnel of our Group, which shall be determined by the management of our Company from time to time on factors such as the contribution, position and years of service of the Participants and taking into account the business objectives and performance of our Company.

The Scheme comprised two parts: (i) certain participants shall have the right to invest in our Company by way of becoming limited partners of Xinfu Tongxin or Xinfu Quanxin, our employee share incentive platforms, and making capital contribution to our Company through Xinfu Tongxin; and (ii) Mr. Qiu, Dr. Li Jianwei and Dr. Yu Guoliang shall have the right to make capital contribution to our Company directly and become our Shareholders. Details of the Scheme are set out in the paragraph headed "Statutory and General Information – D. Employee Share Incentive Scheme" in Appendix VIII to the Prospectus. The terms of the Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Scheme does not involve the grant of share awards by our Company after the Listing. Before the Listing Date, all of the incentive Shares under the Scheme have already been granted.

As of the Latest Practicable Date, 27,500,000 incentive Shares had been granted to 66 Participants, of which 15,550,000 incentive Shares were indirectly held by 64 Participants through our employee share incentive platforms and the remaining 11,950,000 incentive Shares were directly held by Mr. Qiu, Dr. Li Jianwei and Dr. Yu Guoliang at consideration of RMB1 per Share pursuant to the Scheme. As of the Latest Practicable Date, all the incentive Shares under the Scheme were granted. The incentive Shares granted under the Scheme are subject to vesting period and vesting conditions which are described in the paragraph headed "Statutory and General Information – D. Employee Share Incentive Scheme – (e) Lock-up Period and releasing restrictions on the incentive Shares" and the notes as set out in "Details of the incentive Shares granted under the Scheme" in the same section of the Prospectus.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the six months ended June 30, 2024, except for wages and salaries payable for employment within the Group, no emoluments were paid by the Group to any Director, any Supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or the Supervisors has waived any emoluments for the six months ended June 30, 2024.

Except as disclosed above, no other payments have been made or are payable, for six months ended June 30, 2024, by the Group to or on behalf of any of the Directors or the Supervisors.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for our Company to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and improve its transparency and accountability.

Save as disclosed below, our Company has adopted the principles and code provisions of the CG Code contained in Appendix C1 to the Listing Rules as the basis for the corporate governance practices of the Company since the Listing Date and up to the date of this interim report. During the Reporting Period, the Company has complied with all applicable code provisions of the CG Code save and except for the following deviation:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual. The Chairman and Chief Executive Officer of our Company are held by Mr. Qiu who is the founder of our Company and has extensive experience in the industry. Having served in our Company as the general manager since the very early stage of our Company, Mr. Qiu is in charge of overall management of our Company. Despite the fact that the roles of our chairman of the Board and our chief executive officer are both performed by Mr. Qiu which constitutes a deviation from code provision C.2.1 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and chief executive officer all in Mr. Qiu has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of our Company. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. The Board currently comprises three non-executive Directors and three independent non-executive Directors as compared to three executive Directors. Therefore, the Board possesses a strong independent element in its composition. The Board will continue to review and monitor the practices of our Company with an aim of maintaining a high standard of corporate governance.

Our Company is committed to enhancing its corporate governance practices used to regulate conduct and promote growth of its business and to reviewing such practices from time to time to ensure that we comply with the CG Code and align with the latest developments of our Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving our Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control mechanisms.

Reference is made to the announcement of the Company dated July 2, 2024 in relation to the Company entering into subscription agreements for (i) the PDB Subscription I and the PDB Subscription II (the PDB Subscriptions); (ii) the JSB Subscription; and (iii) the ICBC Subscription, respectively with the PRC banks (together, the "**Subscriptions**"). Each of the PDB Subscriptions (on aggregated basis), the JSB Subscription and the ICBC Subscription constituted a discloseable transaction which was subject to announcement requirement under Chapter 14 of the Rules. While our Company has no intention of withholding any information that is required to be disclosed to the public under the Listing Rules, our Company had only announced the Subscriptions on July 2, 2024, with a delay for publishing the announcement (the "**Incident**"). The Incident was inadvertent as it is a part of the normal course of business of the Group to utilize its surplus cash reserves to enhance the capital efficiency and generate additional returns.

In order to avoid the recurrence of similar incidents in the future and to promote and ensure continued compliance with the Listing Rules, to which the Company attaches great importance, the Company will continue to strengthen its internal control management and exercise stringent control over the supervision of compliance and risk control matters of the Company's operating activities. For further details about the actions taken to strengthen our Company's internal control system, please refer to the announcement of the Company dated July 2, 2024.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in Note 18 to the Consolidated Financial Statements, no contract of significance (including contract of significance for the provision of services) was entered into between our Company or its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of our Company were listed on the Main Board of the Stock Exchange on March 20, 2024. The net proceeds received from the Global Offering, after deducting the underwriting fees and commissions and expenses payable by our Company in connection with the Global Offering, amounted to approximately HK$163.3 million. The net price per H Shares offered under the Global Offering was approximately HK$13.56. As at June 30, 2024, our Company did not change its plan on the use of proceeds as stated in the Prospectus and did not utilize any of the proceeds from the Global Offering. Our Company intends to use the net proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The breakdown of our expected uses of proceeds from the Global Offering and expected timeline for unutilized amount is as follows:

	Net proceeds used for related purposes *(HK$'000,000)*	Percentage of total net proceeds *(%)*	Actual utilized amount proceeds as of June 30, 2024 *(HK$'000,000)*	Unutilized amount of proceeds as of June 30, 2024 *(HK$'000,000)*	Expected timeline for unutilized amount
(i) Development and registration of our Core Product, QX002N:	49.2	30.1%	0	49.2	By the end of 2025
(a) Fund the Phase III clinical trials (including costs for trial sites, CROs and subject enrollment) of QX002N in China for the treatment of AS	46.6	28.5%	0	46.6	By the end of 2025
(b) CMC costs and the preparation of requisite registration filings of QX002N	2.6	1.6%	0	2.6	By the end of 2025
(ii) Development and registration of our other Core Product, QX005N:	89.1	54.6%	0	89.1	By the end of 2025
(a) Fund the clinical trials (including costs for trial sites, CROs and subject enrollment) of QX005N in China for the treatment of AD in adults:	44.1	27.0%	0	44.1	By the end of 2025
(1) Phase II clinical trial	0.9	0.5%	0	0.9	By the end of 2025
(2) Phase III clinical trial	43.2	26.5%	0	43.2	By the end of 2025
(b) Fund the clinical trials (including costs for trial sites, CROs and subject enrollment) of QX005N in China for the treatment of PN	35.0	21.5%	0	35.0	
(1) Phase II clinical trial	3.1	1.9%	0	3.1	By the end of 2025
(2) Phase III clinical trial	31.9	19.6%	0	31.9	By the end of 2025
(c) Fund the Phase II clinical trials (including costs for trial sites, CROs and subject enrollment) of QX005N in China for the treatment of CRSwNP	2.1	1.3%	0	2.1	By the end of 2025
(d) CMC costs and the preparation of requisite registration filings of QX005N	7.9	4.8%	0	7.9	By the end of 2025

	Net proceeds used for related purposes *(HK$'000,000)*	Percentage of total net proceeds *(%)*	Actual utilized amount proceeds as of June 30, 2024 *(HK$'000,000)*	Unutilized amount of proceeds as of June 30, 2024 *(HK$'000,000)*	Expected timeline for unutilized amount
(iii) Development and registration of QX004N, including costs for trial sites, CROs and subject enrollment for the Phase Ib and Phase II clinical trials of QX004N for the treatment of Ps and the Phase Ib and Phase II clinical trials of QX004N for the treatment of CD, and CMC costs of QX004N	14.2	8.7%	0	14.2	By the end of 2025
(iv) Clinical development of QX006N, including the clinical trials (including costs for trial sites, CROs and subject enrollment), preparation of registration filings and CMC costs of QX006N	3.1	1.9%	0	3.1	By the end of 2025
(v) Research and development of certain of our other assets, including QX007N, QX010N and QX013N, and drug discovery	7.7	4.7%	0	7.7	By the end of 2025

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of our Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

MATERIAL LITIGATION

The Group was not involved in any material legal proceeding as of June 30, 2024.

PUBLIC FLOAT

Based on information that is publicly available to our Company and within the knowledge of the Directors, our Company has maintained the prescribed public float under the Main Board Listing Rules since its listing on March 20, 2024 up to the date of this interim report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Group has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises three members, namely Mr. Fung Che Wai, Anthony, Mr. Wu Zhiqiang and Dr. Ling Jiaqun, with Mr. Fung Che Wai, Anthony being the chairman of the Audit Committee.

The financial information for the six months ended June 30, 2024 set out in the interim report is unaudited but has been reviewed by the Audit Committee. The Audit Committee has reviewed this report and was satisfied that the Company's unaudited financial information contained in this interim report was prepared in accordance with applicable accounting standards. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group, and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with management and the Company's external auditor. The Audit Committee is of the view that the interim financial results for the six months ended June 30, 2024 have complied with relevant accounting standards, rules and regulations, and have been officially and properly disclosed.

KPMG, the Company's external auditor, has carried out a review of the unaudited interim consolidated financial statements for the six months ended June 30, 2024 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of interim dividend for the six months ended June 30, 2024 to the Shareholders.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

EVENTS AFTER THE FINANCIAL PERIOD

1. On July 1, 2024, Cellularforce has completed the replacement of the 2020 Secured Long-Term Loan with the 2024 Secured Long-Term Loan, which bears lower interest rates. The loan replacement is expected to significantly reduce the debt repayment pressure of the Group by extending the expiration date of the loan from 2026 to 2030. Please refer to "Management Discussion and Analysis – Analysis of our Key Items of our Financial Position – Indebtedness" in this interim report for further details.

2. On July 19, 2024, the Company entered into a Cooperation Agreement with Zhongmei Huadong, a wholly-owned subsidiary of Huadong Medicine whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963.SZ), pursuant to which the Company has granted to Zhongmei Huadong, in the Authorized Territory and in the Authorized Fields, (i) an exclusive right to jointly develop QX005N, is a monoclonal antibody (mAb) blocking IL-4Rα (the "**Subject Product**"); (ii) an exclusive optional right to promote the Subject Product (the "**Optional Right**"); and (iii) a right of first refusal for the transfer of MAH of the Subject Product.

   Under the Cooperation Agreement, Zhongmei Huadong will co-develop the Subject Product together with the Company, including clinical and non-clinical studies and registration related work. If Zhongmei Huadong exercises the Optional Right, it will be responsible for the marketing and promotion of the Subject Product in the Authorized Territory, whereas the Company will be responsible for the supply and quality control of the Subject Product and its clinical trial samples, which will be produced by Cellularforce, an indirect non-wholly owned subsidiary of our Company. The scope of cooperation will cover clinical trials of the following indications: (i) Phase III and related extended treatment studies in adults with atopic dermatitis; and (ii) Phase III and related studies of extended treatment of prurigo nodularis. The development of other indications (including other indications that have already received IND approvals and other potential new indications) will be subject to discussion and unanimous approval by the JDC and written confirmation of both parties.

Details of the transaction are set out in the announcement of the Company dated July 21, 2024.

3. On July 19, 2024, in order to effectively utilize its idle funds, the Company entered into two subscription agreements with PDB to subscribe for two wealth management products offered by PDB, the principal terms of which are set out below. The Company agreed to subscribe for wealth management products offered by PDB with (i) a principal amount of RMB60 million and a maturity date of October 22, 2024; and (ii) a principal amount of RMB100 million and a maturity date of October 22, 2024. Details of the transaction are set out in the announcement of the Company dated July 19, 2024.

Save as disclosed in this interim report, we are not aware of any material subsequent events from the end of the Reporting Period to the date of this interim report.

Auditor's Independent Review Report to the Board of Directors

Review report to the board of directors of
Qyuns Therapeutics Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 44 to 68 which comprises the consolidated statement of financial position of Qyuns Therapeutics Co., Ltd. (the "**Company**") as of 30 June 2024 and the related consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 August 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	3	**44,919**	–
Cost of sales		**(7,163)**	–
Gross profit		**37,756**	–
Other net income	4	**7,402**	9,676
Other net gain		**1,165**	151
Administrative expenses		**(70,331)**	(98,768)
Research and development expenses		**(145,226)**	(168,842)
Loss from operations		**(169,234)**	(257,783)
Finance costs	5(a)	**(13,942)**	(7,896)
Loss before taxation	5	**(183,176)**	(265,679)
Income tax	6(a)	**37**	37
Loss for the period		**(183,139)**	(265,642)
Attributable to:			
Equity shareholders of the Company		**(172,116)**	(258,062)
Non-controlling interests		**(11,023)**	(7,580)
Loss for the period		**(183,139)**	(265,642)
Total comprehensive income for the period		**(183,139)**	(265,642)
Loss per share	7		
Basic and diluted *(RMB)*		**(0.79)**	(1.28)

The notes on pages 50 to 68 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	8	**324,825**	339,106
Right-of-use assets		**21,512**	22,329
Intangible assets		**3,843**	2,347
Other non-current assets		**11,920**	13,472
		362,100	377,254
Current assets			
Inventories and other contract costs		**10,827**	4,937
Prepayments and other receivables	9	**42,747**	26,468
Other current assets		**8,955**	10,210
Financial assets at fair value through profit or loss ("**FVPL**")	10	**160,654**	160,414
Restricted cash	11	**21,000**	–
Cash and cash equivalents	11	**468,436**	216,300
		712,619	418,329
Current liabilities			
Trade and other payables	12	**127,312**	129,914
Contract liabilities	13	**67,272**	870
Interest-bearing borrowings	14	**187,208**	119,702
Lease liabilities		**1,071**	1,290
		382,863	251,776
Net current assets		**329,756**	166,553
Total assets less current liabilities		**691,856**	543,807

The notes on pages 50 to 68 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Non-current interest-bearing borrowings	14	**311,435**	224,433
Deferred income		**17,056**	17,377
Lease liabilities		**213**	634
Deferred tax liabilities		**376**	413
		329,080	242,857
NET ASSETS		**362,776**	300,950
CAPITAL AND RESERVES	15		
Share capital		**222,072**	210,025
Reserves		**145,541**	84,739
Total equity attributable to equity shareholders of the Company		**367,613**	294,764
Non-controlling interests		**(4,837)**	6,186
TOTAL EQUITY		**362,776**	300,950

Approved and authorised for issue by the board of directors on 15 August 2024.

Qiu jiwan
Chairman and Chief Executive Officer

Lin weidong
Executive Director

The notes on pages 50 to 68 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2024		210,025	830,183	175,913	(921,357)	294,764	6,186	300,950
Changes in equity for the six months ended 30 June 2024:								
Total comprehensive income for the period		–	–	–	(172,116)	(172,116)	(11,023)	(183,139)
Issuance of H shares through initial public offering, net of issuance costs	15(a)	12,047	182,280	–	–	194,327	–	194,327
Equity-settled share-based transactions	15(c)	–	–	50,638	–	50,638	–	50,638
Balance at 30 June 2024		222,072	1,012,463	226,551	(1,093,473)	367,613	(4,837)	362,776
Balance at 1 January 2023		180,525	830,183	44,616	(413,609)	641,715	19,698	661,413
Changes in equity for the six months ended 30 June 2023:								
Total comprehensive income for the period		–	–	–	(258,062)	(258,062)	(7,580)	(265,642)
Shares issued under share option scheme and restricted share scheme		29,500	–	–	–	29,500	–	29,500
Equity-settled share-based transactions transactions	15(c)	–	–	86,307	–	86,307	–	86,307
Balance at 30 June 2023		210,025	830,183	130,923	(671,671)	499,460	12,118	511,578
Changes in equity for the six months ended 31 December 2023								
Total comprehensive income for the period		–	–	–	(249,686)	(249,686)	(5,932)	(255,618)
Equity-settled share-based transactions		–	–	44,990	–	44,990	–	44,990
Balance at 31 December 2023		210,025	830,183	175,913	(921,357)	294,764	6,186	300,950

The notes on pages 50 to 68 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2024 RMB'000	2023 RMB'000
Operating activities			
Cash used in operations		(66,846)	(168,373)
Income tax paid		–	–
Net cash used in operating activities		(66,846)	(168,373)
Investing activities			
Payment for the purchase of property, plant and equipment		(1,067)	(5,104)
Payment for the purchase of intangible assets		(186)	–
Payment for purchase of financial assets measured at FVPL		(410,000)	(500,000)
Proceeds from sale of financial assets measured at FVPL		411,948	653,734
Interest received from bank deposits		2,694	3,003
Net cash generated from investing activities		3,389	151,633
Financing activities			
Proceeds from interest-bearing borrowings		380,600	13,900
Repayment of interest-bearing borrowings		(249,200)	(38,400)
Capital injection received from shareholders		–	29,500
Net proceeds from issuance of H shares	15(a)	196,540	–
Proceeds from discounted bank bills		17,164	–
Interest paid for interest-bearing borrowings		(8,414)	(7,251)
Payment for capital element of lease liabilities		(876)	(867)
Payment for interest element of lease liabilities		(30)	(40)
Increase in restricted cash		(21,000)	–
Listing expenses paid		(333)	(482)
Net cash generated from/(used in) financing activities		314,451	(3,640)

The notes on pages 50 to 68 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2024 RMB'000	2023 RMB'000
Net increase/(decrease) in cash and cash equivalents		**250,994**	(20,380)
Cash and cash equivalents at the beginning of the year		**216,300**	213,090
Effect of foreign exchange rate changes		**1,142**	147
Cash and cash equivalents at the end of the year	11	**468,436**	192,857

The notes on pages 50 to 68 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 15 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Qyuns Therapeutics Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). KPMG's independent review report to the Board of Directors is included on pages 42 to 43.

1 Basis of preparation (Continued)

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 April 2024.

2 Changes in accounting policies

The IASB has issued the following new and amendments to IFRSs and guidance that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue

(a) Disaggregation of revenue

The Group principally engaged in research and development of biologic therapies for autoimmune and allergic diseases. During the period ended 30 June 2024, the Group's revenue was mainly derived from license agreements by granting licenses of certain intellectual properties to customers, providing research and development services in relation to certain licensed products to the customers, etc.

Disaggregation of revenue from contracts with customers by major service lines and the timing of revenue recognition is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from license agreements	**44,919**	–
Disaggregated by timing of revenue recognition		
– Point in time	**30,189**	–
– Over time	**14,730**	–
	44,919	–

3 Revenue (Continued)

(b) Segment and geographical information

For the purpose of making decisions about resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated, and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

The following table sets out information about the geographical location of the Group's revenue from external customers.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
The People's Republic of China (the "**PRC**")	**44,919**	–

4 Other net income

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Government grants[(i)]	**5,539**	3,340
Interest income from bank deposits	**3,521**	2,825
Net realised and unrealised gains on financial assets measured at FVPL	**2,188**	3,393
Others	**(3,846)**	118
	7,402	9,676

(i) Government grants mainly represent government subsidies for encouragement of research and development activities and compensation on the incurred interest expenses of bank loans, which were recognised in profit or loss when received.

5 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**13,748**	7,856
Interest on discounted bank bills	**164**	–
Interest on lease liabilities	**30**	40
Total finance costs on financial liabilities not at FVPL	**13,942**	7,896

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Amortisation cost of intangible assets	**478**	353
Depreciation charge of property, plant and equipment	**14,796**	14,582
Depreciation charge of right-of-use assets	**1,054**	1,081
Total amortisation and depreciation	**16,328**	16,016
Equity-settled share-based payment expenses	**50,638**	86,307
Research and development expenses [(i)]	**145,226**	168,842

(i) During the six months ended 30 June 2024, research and development expenses include staff costs and depreciation and amortisation expenses of RMB51,604,000 (six months ended 30 June 2023: RMB61,197,000), which are also included in the respective total amounts disclosed separately above.

6 Income tax

(a) Taxation in the consolidated statements of profit or loss represents:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax – PRC Tax	**–**	–
Deferred taxation	**(37)**	(37)
	(37)	(37)

(i) Statutory tax rate

Pursuant to the Enterprise Income Tax (the "**EIT**") Law of the PRC (the "**EIT Law**"), the Company and its PRC subsidiaries are liable to EIT at a rate of 25% unless otherwise specified.

(ii) Preferential tax

Under the EIT Law of the PRC and its relevant regulation, an additional 100% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income for the year ending 31 December 2024.

7 Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB172,116,000 (six months ended 30 June 2023: RMB258,062,000) and the weighted average of 216,776,000 ordinary shares (six months ended 30 June 2023: 201,239,000) in issue during the period.

Share options and restricted shares granted by the Company were not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Accordingly, diluted loss per share for the period ended 30 June 2023 and 2024 were the same as basic loss per share of the respective periods.

8 Property, plant and equipment

During the six months ended 30 June 2024, the Group acquired items of plant and equipment with a cost of RMB515,000 (six months ended 30 June 2023: RMB2,035,000).

The Group's land use right and manufacturing facilities in Taizhou have been pledged as collateral in August 2023 under the Group's borrowing arrangements with the carrying amount of RMB230,798,000 at 30 June 2024.

9 Prepayments and other receivables

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Prepaid expenses	40,678	23,029
Listing expenses	–	2,534
Deposits	539	541
Interest receivables	867	40
Other debtors	663	324
	42,747	26,468

10 Financial assets at FVPL

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Wealth management products	160,654	160,414

Financial assets measured at FVPL comprise the investments in wealth management products purchased from banks in the PRC.

11 Cash and cash equivalents and restricted cash

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash at bank and in hand	291,881	216,300
Time deposits with banks within three months	197,555	–
Less: restricted cash *(note 14)*	(21,000)	–
Cash and cash equivalents	468,436	216,300

12 Trade and other payables

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables	78,101	72,958
Bills payables	1,000	–
Total trade payables and bills payables [(i)]	79,101	72,958
Payroll payables	25,975	31,007
Payables for purchases of property, plant and equipment	4,511	5,016
Accrued listing expenses	10,567	15,333
Other payables and accruals	7,158	5,600
	127,312	129,914

12 Trade and other payables (Continued)

(i) As of the end of the reporting period, the ageing analysis of trade payables and bills payables based on the invoice date is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 12 months	79,101	72,958

13 Contract liabilities

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contract liabilities from license agreements	65,458	–
Other contract liabilities	1,814	870
	67,272	870

14 Interest-bearing borrowings

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Unsecured short-term bank loans [(i)]	124,615	59,600
Current proportion of unsecured long-term bank loans [(i)]	1,280	625
Current proportion of secured long-term bank loans [(ii)]	43,986	59,477
Discounted bank bills [(iii)]	17,327	–
Within 1 year or on demand	187,208	119,702
Unsecured long-term bank loans [(i)]	94,300	49,375
Secured long-term bank loans [(ii)]	217,135	175,058
Non-current	311,435	224,433
	498,643	344,135

(i) As at 30 June 2024, the unsecured short-term bank loans and unsecured long-term bank loans represent the utilised banking facilities for the daily operation, which bear interest rate from 3.3% to 4.2% (2023: 3.3% to 4.2%).

(ii) Cellularforce, a subsidiary of the Company, obtained a secured long-term bank loan of RMB300 million in 2020 from a bank consortium ("2020 Secured Long-Term Loan") to support the construction of its manufacturing facilities. The loan was secured by Cellularforce's land use right and its manufacturing facilities in Taizhou and guaranteed by the Company.

In June 2024, Cellularforce entered into a new loan arrangement with two commercial banks in the PRC ("2024 Secured Long-Term Loan ") to replace the aforementioned 2020 Secured Long-Term Loan. The collaterals under 2020 Secured Long-Term Loan also have been transferred to 2024 Secured Long-Term Loan in July 2024.

As of 30 June 2024, Cellularforce has drawn down RMB240,000,000 under 2024 Secured Long-Term Loan and repaid RMB219,000,000 of 2020 Secured Long-Term Loan as at 30 June 2024 with remaining RMB21,000,000 repaid on 1 July 2024. The 2020 Secured Long-Term Loan born interest rates from 4.3% to 4.6% (2023: 4.5% to 4.6%), while the 2024 Secured Long-Term Loan born interest rates of 3.9%.

(iii) During the period ended 30 June 2024, certain transactions between Cellularforce and the Company arising from research and development services were settled by bank bills. As at 30 June 2024, bills receivables held by Cellularforce issued by the Company of RMB17,327,000 were discounted to a bank with full recourse. These bills receivables were eliminated in full on consolidation. The Group had recognised the cash received on the discount of the bills receivables as bank borrowings.

15 Capital, reserves and dividends

(a) Share capital and share premium

	Numbers of ordinary shares	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid				
At 1 January 2024 and 31 December 2023	210,025,200	210,025	830,183	1,040,208
Issuance of H shares through initial public offering [(i)]	12,046,400	12,047	182,280	194,327
At 30 June 2024	222,071,600	222,072	1,012,463	1,234,535

(i) On 20 March 2024, the Company issued 12,046,400 new H shares of RMB1 each at a price of HK$19.80 per share by way of the Hong Kong public offering and international placement (the "**Offering**"). Consequently, RMB12,047,000 was recorded in share capital. The amount of total proceeds raised from the Offering was HK$238,518,000 (equivalent to approximately RMB216,388,000). The share capital increased by RMB12,047,000 and corresponding premium of RMB182,280,000 (after deduction of listing expense) was recognized in share premium.

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

15 Capital, reserves and dividends (Continued)

(c) Equity-settled share-based payment transactions

(i) Share option scheme

A share option scheme was granted on 31 May 2019 (the "Share Option Scheme") to reward the contributions of eligible employees, directors and individual consultants ("Participants") who render services to the Company or its subsidiaries. Pursuant to the Share Option Scheme, the Participants have right to acquire certain equity interest in certain employee shareholding platforms, which enables the Participants have indirect equity interest in the Company. The Share Option Scheme is subject to certain service conditions that the respective portions of options shall be vested upon the achievement of relevant conditions.

On 15 September 2022, a resolution was passed to amend the Share Option Scheme. Under which, the options previously granted and had not been cancelled or forfeited were replaced by a restricted share ("RS") scheme (the "Replacement Scheme"), where, non-beneficial modifications of relevant performance and service conditions were made. The Group continues to recognise the services received measured as the grant date fair value of the share options granted.

All share options and RSs under the Replacement Scheme have been exercised as at 30 June 2023.

(ii) Restricted share scheme

On 15 September 2022, a restricted share scheme (the "**2022 RS Scheme**") was authorised to reward the contributions of eligible directors, employees and consultant of the Company or its subsidiaries. The participants of the 2022 RS Scheme have rights to invest in the Company by way of (i) subscribing for newly issued share capital of the Company directly; or (ii) subscribing for newly issued share capital of the Company through certain employee incentive platforms.

15 Capital, reserves and dividends (Continued)

(c) Equity-settled share-based payment transactions (Continued)

(ii) Restricted share scheme (Continued)

The terms and conditions of RSs granted are as follows:

	Number of RS *'000*	Granted prices	Vesting condition
RSs granted to directors:			
– on 15 October 2022	1,100	RMB1.00	Service period of 3 years and non-market performance conditions
– on 15 October 2022	1,000	RMB1.00	Service period of less than 3 years and non-market performance conditions
– on 15 October 2022	7,570	RMB1.00	Non-market performance conditions
RSs granted to employees:			
– on 15 October 2022	4,230	RMB1.00	Service period of 3 years and non-market performance conditions
– on 15 October 2022	2,060	RMB1.00	Service period of less than 3 years and non-market performance conditions
– on 15 October 2022	3,100	RMB1.00	Non-market performance conditions
– on 13 February 2023	1,000	RMB1.00	Service period of 3 years and non-market performance conditions
– on 1 March 2023	540	RMB1.00	Service period of 3 years and non-market performance conditions
RSs granted to a consultant:			
– on 15 October 2022	500	RMB1.00	Non-market performance conditions
Total RSs granted	21,100		

15 Capital, reserves and dividends (Continued)

(c) Equity-settled share-based payment transactions (Continued)

(iii) Equity-settled share-based payment expenses

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted. The Group recognised equity-settled share-based payment expense of RMB50,638,000 during the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB86,307,000).

16 Fair values measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

16 Fair values measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

	Fair value at 30 June 2024 *RMB'000*	Fair value at 31 December 2023 *RMB'000*
Level 3 – Wealth management products	**160,654**	160,414

The fair values of wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting periods.

16 Fair values measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products, at fair value	Discounted cashflow method	Interest return rate	2.29% to 3.05% (31 December 2023: 2.30% to 2.79%)	0.50% increase/ (decrease) in interest return rate would result in increase/(decrease) in fair value by RMB125,000. (31 December 2023: RMB77,000)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2024 *RMB'000*	At 30 June 2023 *RMB'000*
Wealth management products, at fair value:		
At 1 January	**160,414**	401,097
Payment for purchases	**410,000**	500,000
Changes in fair value recognised in profit or loss during the period	**2,188**	3,393
Redemption of investment	**(411,948)**	(653,734)
At 30 June	**160,654**	250,756

16 Fair values measurement of financial instruments (Continued)

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2024 and 31 December 2023.

17 Commitments

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report were as follows:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Contracted for	860	1,174

18 Material related party transactions

During the reporting period, the directors are of the view that the following parties are related parties:

Name of party	Relationship
Mr. Qiu Jiwan (裘霽宛)	Chief executive officer and director of the Company
Mr. Yu Guo'an (余國安)	Joint control of the Company
Ms. Wang Yujiao (王玉姣)	Supervisor of the Company
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. ("**Zhongmei Huadong**") 杭州中美華東製藥有限公司 (i)	Shareholder of the Company
Taizhou Huacheng Medical Investment Group Co., Ltd. ("**Taizhou Huacheng**") 泰州華誠醫學投資集團有限公司 (i)	Non-controlling shareholder of Cellularforce
Taizhou Huawei Investment Co., Ltd. ("**Huawei Investment**") 泰州華威投資有限公司 (i)	Subsidiary of Taizhou Huacheng
Hangzhou Quanyi Investment Management Partnership (General Partnership) ("**Hangzhou Quanyi**") 杭州荃毅投資管理合夥企業 (普通合夥) (i)	Shareholder of the Company

(i) The English translation of these entities is for identification only. The official names of the entities established in the PRC are in Chinese.

(a) Related party transactions

During the reporting period, the Group entered into the following material related party transactions:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Rendering of services	**500**	–
Procurement of services	**5**	1,350

18 Material related party transactions (Continued)

(b) Related party balances

The outstanding balances arising from the above transactions are as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Amounts due from related parties		
Prepayments and other receivables:		
Zhongmei Huadong	320	–
Ms. Wang Yujiao	–	14
Amounts due to related parties		
Contract liabilities and other payables:		
Zhongmei Huadong	(634)	(832)
Ms. Wang Yujiao	(5)	–

19 Non-adjusting events after the reporting period

Subsequent to the end of the reporting period, the Company entered into a cooperation agreement with Zhongmei Huadong, pursuant to which the Company has granted to Zhongmei Huadong, in the authorized territory and in the authorized fields, (i) an exclusive right to jointly develop the Product QX005N; (ii) an exclusive optional right to promote the QX005N; and (iii) a right of first refusal for the transfer of MAH of the QX005N.

Definitions and Glossary of Technical Terms

DEFINITIONS

"ankylosing spondylitis" or "AS"	a chronic progressive inflammatory disease that is primarily characterized by inflammation of the spinal joints, leading to reduced flexibility of the joints and stiffness in the spine over time
"antibody"	a protein produced in response to and counteracting a specific antigen. Antibodies combine chemically with substances which the body recognizes as alien, such as bacteria, viruses and foreign substances in the blood
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"atopic dermatitis" or "AD"	an immune-mediated inflammatory skin disease that causes dry, itchy and inflamed skin
"Audit Committee"	the audit committee of our Board
"Authorized Fields"	the fields where the QX005N, alone or in combination with other products, is suitable for use in the diagnosis, prevention and treatment of all human diseases, for all indications, in any dosage form, in any dosage and in any packaging
"Authorized Territory"	including mainland China, Hong Kong, Macau and Taiwan
"autoimmune"	with respect to any disorder or disease, an abnormal immune response of the body against substances and tissues normally present in the body
"biologics"	drug products derived from a variety of natural sources-human, animal, or microorganism-that may be produced by biotechnology methods and other cutting-edge technologies (in contrast to small-molecule drugs, which are chemically synthesized). Biologics can be composed of sugars, proteins or nucleic acids or complex combinations of these substances, or may be living entities, such as cells and tissues

Definitions and Glossary of Technical Terms

"biosimilar"	a follow-on version of innovator biopharmaceuticals which are separately developed after patents protecting the innovator biopharmaceuticals have expired and have similar quality, safety and efficacy as the innovator biopharmaceuticals
"BLA"	the biologics license application
"Board" or "Board of Directors"	the board of Directors
"CDMO"	a contract development and manufacturing organization, which provides support to the pharmaceutical industry by providing development and manufacturing services outsourced on a contract basis
"cell line"	a population of cells that descend from a single cell and contain the same genetic makeup, and can be propagated repeatedly
"Cellularforce"	Jiangsu Cellularforce Biotechnology Co., Ltd. (江蘇賽孚士生物技術有限公司), a company established in the PRC with limited liability on August 2, 2018 and an indirect non-wholly owned subsidiary of our Company which is owned as to 66% by Saifu Juli and 34% by Taizhou Huacheng
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"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 interim report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"chronic obstructive pulmonary disease" or "COPD"	a chronic inflammatory lung disease that causes obstructed airflow from the lungs, symptoms including breathing difficulty, cough and mucus production
"chronic rhinosinusitis with nasal polyps" or "CRSwNP"	a subgroup of chronic rhinosinusitis characterized by the presence of fleshy swellings (nasal polyps) that develop in the lining of the nose and paranasal sinuses

"chronic spontaneous urticaria" or "CSU"	the occurrence of urticaria for six weeks or longer with identifiable specific triggers
"clinical trial"	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
"code provision(s)"	the principles and code provisions set out in the CG Code
"Company"	Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥股份有限公司) (formerly known as Qyuns Therapeutics Co., Ltd. (江蘇荃信生物醫藥有限公司)), a company established in the PRC with limited liability on June 16, 2015 which was converted into a joint stock company with limited liability on September 30, 2021
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Qiu, Mr. Yu Guo'an, Hangzhou Quanyi, Shanghai Quanyou and Xinfu Tongxin; and a Controlling Shareholder shall mean each or any of them
"Cooperation Agreement"	the Cooperation Agreement dated July 19, 2024 entered into by the Company and Zhongmei Huadong for joint development and commercialization of the QX005N
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this interim report, our Core Products refers to QX002N and QX005N
"CRO"	a contract research organization, which provides support to the pharmaceutical industry by providing research and development services outsourced on a contract basis
"Crohn's disease" or "CD"	a chronic, incurable inflammatory bowel disease that affects the lining of the digestive tract and can sometimes cause life-threatening complications. CD symptoms can include abdominal pain, diarrhea, weight loss, anemia and fatigue

"cytokine"	proteins secreted by cells in both innate and adaptive immune responses, which can regulate diverse functions in the immune response
"Director(s)"	the director(s) of our Company
"Employee Share Incentive Scheme"	the restricted share scheme approved and adopted by our Company on September 15, 2022
"endpoint"	with respect to a clinical study or trial, the outcome that is measured
"Global Offering"	the global offering of 12,046,400 H Shares as described in the Prospectus
"Group", "our Group", "the Group" or "we"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guide"	The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time
"H Share(s)"	shares of our Company for which an application has been made for listing and permission to trade on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"Hansoh"	Hansoh Pharmaceutical Group Company Limited (翰森製藥集團有限公司), a pharmaceutical company whose shares are listed on the Stock Exchange (stock code: 3692)
"Hansoh (Shanghai)"	Hansoh (Shanghai) Healthtech Co., Ltd.* (翰森(上海)健康科技有限公司), a wholly-owned subsidiary of Hansoh

"Hangzhou Quanyi"	Hangzhou Quanyi Investment Management Partnership (General Partnership) (杭州荃毅投資管理合夥企業(普通合夥)), a general partnership established in the PRC on May 15, 2015 and one of our Controlling Shareholders, which is owned as to 50% by Mr. Qiu and 50% by Mr. Yu Guo'an, both as its general partners acting in concert
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Huadong Medicine"	Huadong Medicine Co., Ltd. (華東醫藥股份有限公司), a pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963)
"IgG"	human immunoglobulin G, the most common antibody type found in blood circulation that plays an important role in antibody-based immunity against invading pathogens
"IL"	interleukin, a type of cytokine-signaling molecule in the immune system to provoke an immune response in the body of a human and other animals
"immunogenicity"	the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal
"immunoglobulin" or "Ig"	also known as antibody, a glycoprotein molecule produced by plasma cell (white blood cell)
"Independent Third Party(ies)"	individuals or company(ies), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"inhibitor"	a substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change

"lupus nephritis" or "LN"	a common complication of SLE, where the immune system mistakenly attacks the kidneys, leading to inflammation and possible organ damage
"Joincare"	Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600380), our licensing partner for QX008N
"Latest Practicable Date"	September 10, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report prior to its publication
"Listing"	the listing of our H Shares on the Main Board
"Listing Date"	March 20, 2024, on which dealings in our H Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time
"Macau"	the Special Administrative Region of Macau of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"monoclonal antibody" or "mAb"	antibody generated by identical immune cells that are all clones of the same parent cell
"MPC"	MPC VI L.P. and MPC VI-A L.P., both being limited partnerships incorporated under the laws of the Cayman Islands and our Pre-IPO Investors. The general partner of MPC VI L.P. and MPC VI-A L.P. is MPC Management VI L.P.

"Mr. Qiu"	Mr. Qiu Jiwan (裘霽宛), our founder, executive Director, chairman of our Board, our chief executive officer and general manager, and one of our Controlling Shareholders
"Nomination Committee"	the nomination committee of our Board
"Optional Right"	an exclusive optional right granted by the Company to Zhongmei Huadong to promote the QX005N in the Authorized Territory and in c
"Phase I clinical trial"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion and, if possible, an early indication of its effectiveness. Phase I clinical trial can be further divided into the Phase Ia clinical trial, which is often a single ascending dose study, and the Phase Ib clinical trial, which is often a multiple ascending dose study
"Phase II clinical trial"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, preliminarily evaluate the efficacy of the product for specific targeted diseases and determine dosage tolerance and optimal dosage
"Phase III clinical trial"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval and to provide adequate information for the labeling of the product
"Prospectus"	the prospectus issued by our Company on March 12, 2024 in relation to our Global Offering and Listing
"prurigo nodularis" or "PN"	a chronic skin disorder characterized by the presence of hard and extremely itchy bumps known as nodules, which tend to be found in easy-to-scratch areas, such as the arms, legs, the upper back and abdomen
"pruritus"	itchy skin, which is an uncomfortable, irritating sensation that makes the patient want to scratch

"psoriasis" or "Ps"	a skin disease associated with dysregulation of the immune systems that causes a rash with itchy and scaly patches, most commonly on the knees, elbows, trunk and scalp
"receptor"	a region of tissue, or a molecule in a cell membrane, which responds specifically to a particular signal, that is any of a neurotransmitter, hormone, antigen or other substance
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the six months ended June 30, 2024
"Saifu Juli"	Taizhou Saifu Juli Biomedical Co., Ltd. (泰州市賽孚聚力生物醫藥有限公司), a company established in the PRC with limited liability on July 6, 2018 and a direct wholly owned subsidiary of our Company
"Shanghai Quanyou"	Shanghai Quanyou Fanyue Investment Management Partnership (Limited Partnership) (上海荃友凡悦投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on November 2, 2015 and one of our Controlling Shareholders, which is owned as to approximately 45.71% by Mr. Qiu as its general partner, 8.57% by Ms. Xu Qiu (許秋), the spouse of Mr. Qiu, as one of its limited partners, and 45.72% by three Independent Third Parties as its other limited partners
"Share(s)"	ordinary share(s) with par value RMB1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
"Strategy and Development Committee"	the strategy and development committee of our Board

"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"systemic lupus erythematosus" or "SLE"	an autoimmune disease primarily characterized by widespread inflammation and tissue damage in various organs, such as the skin, brain, lungs, kidneys and blood vessels
"TNF"	tumor necrosis factor, a group of cell signaling proteins (cytokines) that regulate immune cells and mediate the inflammatory responses
"TNF-α"	a prominent member of the TNF family and one of the cytokines that make up the acute phase reaction, a series of physiological process occurring soon after the onset of inflammatory processes
"TSLP"	thymic stromal lymphopoietin, a protein belonging to the cytokine family, which plays an important role in the maturation of T cell populations through activation of antigen presenting cells (APCs)
"ulcerative colitis" or "UC"	a chronic, inflammatory bowel disease that causes inflammation in the digestive tract
"Unlisted Share(s)"	ordinary Share(s) issued by our Company with a nominal value of RMB1.00 each which is/are not listed on any stock exchange
"urticaria"	a type of skin disease characterized by itchy swelling on the skin surface
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States
"we," "us" or "our"	the Company or the Group, as the context requires

"Xinfu Quanxin"	Taizhou Xinfu Quanxin Enterprise Management Partnership (Limited Partnership) (泰州信孚全心企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on February 27, 2023, which is owned as to approximately 0.56% by Mr. Wu Yiliang, our executive Director and executive deputy general manager of Cellularforce as its general partner and approximately 99.44% by 27 employees of our Group as its limited partners, and is one of our employee share incentive platforms
"Xinfu Tongxin"	Taizhou Xinfu Tongxin Enterprise Management Partnership (Limited Partnership) (泰州信孚同心企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 19, 2021, which is owned as to approximately 8.27% by Mr. Qiu as its general partner, approximately 11.38% by Xinfu Quanxin as one of its limited partners and approximately 80.35% by 37 employees of our Group as its limited partners, and is one of our employee share incentive platforms and one of our Controlling Shareholders
"Zhongmei Huadong"	Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司), a company established in the PRC with limited liability on December 31, 1992 and one of our Pre-IPO Investors

ACRONYMS

"CDE"	Center for Drug Evaluation (國家藥品監督管理局藥品審評中心), a division of the NMPA responsible for acceptance and technical review of applications for drug clinical trials and drug marketing authorization
"cGMP"	current good manufacturing practice, regulations and procedures that provide for proper design, monitoring, and control of manufacturing processes and facilities
"CMC"	the chemistry, manufacturing and controls processes in the development, licensure, manufacturing and ongoing marketing of pharmaceutical products
"FDA"	the United States Food and Drug Administration
"FPI"	First Patient In
"IASB"	International Accounting Standards Board
"ICBC"	Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司)
"IFRS"	the International Financial Reporting Standards, which as collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB
"IND"	Investigational New Drug
"JDC"	the Joint Development Committee to be formed by the Company and Zhongmei Huadong, comprised of six members (three members from each party), which will be the main management and executive body during the clinical cooperative development stage of QX005N.
"JSB"	Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司)

"LPI"	Last Patient In
"MAH"	marketing authorization holder
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"PDB"	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time