北京昭衍新藥研究中心股份有限公司

JOINN LABORATORIES (CHINA) CO., LTD.

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

Stock Code: 6127

2024 ANNUAL REPORT

Contents

Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings. These terms and their definitions may not correspond to any industry standard definition, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

"2018 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by the Company on 27 February 2018, the principal terms of which are set out in the Prospectus
"2019 Share Option and Restricted Share Award Scheme"	a share option and restricted share award scheme adopted and approved by the Company on 15 August 2019, the principal terms of which are set out in the Prospectus
"2020 Share Option Scheme"	a share option scheme adopted and approved by the Company on 15 July 2020, the principal terms of which are set out in the Prospectus
"2021 A Share Employee Stock Ownership Plan"	an employee share award scheme adopted and approved by the Company on 19 January 2022, the principal terms of which are set out in the circular dated 30 December 2021
"2021 Restricted A Share Incentive Scheme"	a restricted share award scheme adopted and approved by the Company on 19 January 2022, the principal terms of which are set out in the circular dated 30 December 2021
"2022 A Share Employee Stock Ownership Plan"	an employee share award scheme adopted and approved by the Company on 18 November 2022, the principal terms of which are set out in the circular dated 31 October 2022
"2022 H Shares Incentive Scheme"	a H Shares award scheme adopted and approved by the Company on 24 June 2022, the principal terms of which are set out in the circular dated 26 May 2022
"A Shareholders"	holders of the A Shares
"A Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shanghai Stock Exchange
"AGM"	annual general meeting of the Company to be held in 2024
"Articles of Association" or "Articles"	articles of association of our Company adopted on 18 June 2021, as amended from time to time
"Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board

Definitions

"Biomere"	Biomedical Research Models, Inc., a limited liability company incorporated in Massachusetts, the United States, on 11 December 1996 and acquired by our Company on 10 December 2019 to become a wholly-owned subsidiary of Joinn Laboratories (Delaware) Corporation, which is wholly-owned by our Company
"Board"	the board of Directors of our Company
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code as contained in Part 2 of Appendix C1 of the Listing Rules
"Chief Executive Officer"	chief executive officer of our Company
"Chief Financial Officer"	chief financial officer of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Company", "Our Company" or "JOINN"	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) which was incorporated in the PRC on 11 August 1995 and converted into a joint-stock company on 26 December 2012, the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 603127) and the H Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 6127)
"Connected Person(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 otherwise requires, refers to Ms. Feng and Mr. Zhou
"CSDC"	China Securities Depository and Clearing Company Limited
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the directors of the Company
"Employee Stock Ownership Plans"	the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"Group", "our Group", "our", "we" or "us"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

Definitions

"Guangxi Weimei"	Guangxi Weimei Bio-Tech Co., Ltd (廣西瑋美生物科技有限公司), a company established under the laws of the PRC with limited liability
"H Shareholders"	holders of the H Shares
"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"JOINN Laboratories (CA)"	JOINN Laboratories, CA Inc., a company incorporated in California, United States on 21 June 2013, and a wholly-owned subsidiary of our Company
"JOINN Laboratories (Suzhou)"	JOINN Laboratories (Suzhou) Co., Ltd. (昭衍（蘇州）新藥研究中心有限公司), which was incorporated in the PRC on 11 December 2008 with limited liability, and a wholly-owned subsidiary of our Company
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	26 February 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Mr. Zhou"	Mr. Zhou Zhiwen (周志文), a Controlling Shareholder and the spouse of Ms. Feng
"Ms. Feng"	Ms. Feng Yuxia (馮宇霞), a Controlling Shareholder, the chairperson of the Board and an executive Director of our Company, and the spouse of Mr. Zhou
"Post-IPO Restricted Award Scheme and ESOP"	the 2021 Restricted A Share Incentive Scheme, the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan

"Pre-IPO Share Option and Restricted Share Award Schemes"	the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme
"Prospectus"	the prospectus of the Company dated 16 February 2021
"Relevant Period"	the period from the Listing Date to the date of this report
"Reporting Period"	the year ended 31 December 2024
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share awards granted pursuant to the Pre-IPO Share Option and Restricted Share Award Schemes and Post-IPO Restricted Award Scheme and ESOP
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	shares (including the A Shares and the H Shares) in the share capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of our Share(s)
"Staidson"	Staidson (Beijing) Biopharmaceuticals Co., Ltd. (舒泰神(北京)生物製藥股份有限公司), a joint stock limited company incorporated under the laws of the PRC on August 16, 2002 and whose shares are listed on the Shenzhen Stock Exchange (stock code: 300204), which includes approximately 36.11% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司) (which is held as to 85% in aggregate by Ms. Feng and Mr. Zhou), approximately 1.96% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管－招商銀行－華泰聚力16號集合資產管理計劃), and approximately 1.10% by Mr. Zhou directly. Mr. Zhou is also the chairperson of the board of directors and legal representative of Staidson
"Staidson Group"	Staidson and its subsidiaries
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of our supervisory committee

Definitions

"Suzhou Qichen"	Aurora Bioscience Co., Ltd., a subsidiary of the Company
"Trust"	the trust or any other entity(ies) established by the Trustee and constituted by the Trust Deed (if any) to service the 2022 H Shares Incentive Scheme
"Trustee"	Futu Trustee Limited, a professional trustee engaged by the 2022 H Shares Incentive Scheme. Futu Trustee Limited and its ultimate beneficial owners are independent third parties and not connected with the Company or any of its connected persons
"Trust Deed"	the trust deed entered or to be entered into between the Company and the Trustee in the context of establishment of the Trust (as may be restated, supplemented and amended from time to time)
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollar(s), the lawful currency of the United States
"Yunnan Yinmore"	Yunnan Yinmore Bio-Tech Co., Ltd (雲南英茂生物科技有限公司), a company established under the laws of the PRC with limited liability

Glossary of Technical Terms

"ADC"	antibody drug conjugate
"antibody"	means a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses
"assay"	means an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
"CAR-T cell"	chimeric antigen receptor T cells, T cells that have been genetically engineered to produce an artificial T-cell receptor for use in immunotherapy
"CRO"	contract research organization, an entity that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"drug discovery"	means the process through which potential new medicines are identified and may involve a wide range of scientific disciplines, including biology, chemistry and pharmacology
"GLP"	good laboratory practice
"metabolism"	means the chemical processes that occur within a living organism in order to maintain life, comprising catabolism (breakdown of large molecules into components) and anabolism (the synthesis of smaller molecules into larger ones with specific structures, characteristics and purposes)
"pharmacology"	means the branch of medicine concerned with the uses, effects, and modes of action of drugs
"R&D"	means research and development

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Feng Yuxia *(Chairperson of the Board)*
Mr. Zuo Conglin (resigned on 20 December 2024)
Mr. Gao Dapeng
Ms. Sun Yunxia
Mr. Gu Jingliang (appointed on 23 January 2025)
Ms. Luo Xi (appointed on 23 January 2025)
Dr. Yao Dalin (resigned on 30 October 2024)

Independent Non-executive Directors

Mr. Zhang Fan
Mr. Yang Fuquan (appointed on 23 January 2025)
Mr. Yang Changyun (appointed on 23 January 2025)
Mr. Ying Fangtian (appointed on 23 January 2025)
Mr. Sun Mingcheng (resigned on 23 January 2025)
Dr. Zhai Yonggong (resigned on 23 January 2025)
Mr. Ou Xiaojie (resigned on 23 January 2025)

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

A5 Rongjing East Street
Beijing Economic-Technological
Development Area
Beijing, 100176, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1920, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

REGISTERED OFFICE

A5 Rongjing East Street
Beijing Economic-Technological
Development Area
Beijing, 100176, China

H SHARE REGISTRAR

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

JOINT COMPANY SECRETARIES

Mr. Gao Dapeng
Ms. Cheung Ka Lun Karen

AUTHORIZED REPRESENTATIVES

Ms. Feng Yuxia
Ms. Cheung Ka Lun Karen

AUDIT COMMITTEE

Mr. Yang Changyun *(Chairperson)*
(appointed on 23 January 2025)
Mr. Yang Fuquan (appointed on 23 January 2025)
Mr. Zhang Fan
Mr. Sun Mingcheng (resigned on 23 January 2025)
Dr. Zhai Yonggong (resigned on 23 January 2025)

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ying Fangtian *(Chairperson)*
(appointed on 23 January 2025)
Ms. Sun Yunxia
Mr. Yang Changyun (appointed on 23 January 2025)
Mr. Ou Xiaojie (resigned on 23 January 2025)
Mr. Sun Mingcheng (resigned on 23 January 2025)
Mr. Zuo Conglin (resigned on 20 December 2024)

NOMINATION COMMITTEE

Mr. Yang Fuquan *(Chairperson)*
(appointed on 23 January 2025)
Ms. Feng Yuxia
Mr. Ying Fangtian (appointed on 23 January 2025)
Dr. Zhai Yonggong (resigned on 23 January 2025)
Mr. Ou Xiaojie (resigned on 23 January 2025)

STRATEGIC DEVELOPMENT COMMITTEE

Ms. Feng Yuxia *(Chairperson)*
Ms. Sun Yunxia
Ms. Luo Xi (appointed on 23 January 2025)
Mr. Ying Fangtian (appointed on 23 January 2025)
Mr. Zuo Conglin (resigned on 20 December 2024)
Mr. Ou Xiaojie (resigned on 23 January 2025)

STOCK CODE

Hong Kong Stock Exchange
(H Shares): 6127
Shanghai Stock Exchange
(A Shares): 603127

AUDITOR

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

LEGAL ADVISOR TO OUR COMPANY

As to Hong Kong law
Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road, Central
Hong Kong

As to PRC law
Tian Yuan Law Firm
Unit 509, Tower A Corporation Square
35 Financial Street Xicheng District
Beijing, 100033 China

COMPANY'S WEBSITE

https://www.joinnlabs.com

Financial Summary

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**2,018,334**	2,376,487	2,267,971	1,516,680	1,075,905
Gross profit	**505,540**	979,393	1,081,428	735,678	550,625
Profit for the year	**69,755**	391,553	1,073,200	556,417	311,564
Profit for the year attributable to equity shareholders of the Company	**74,075**	396,993	1,074,257	557,460	312,950
Profitability					
Gross profit margin	**25.05%**	41.21%	47.68%	48.51%	51.18%
Profit margin for the year	**3.46%**	16.48%	47.32%	36.69%	28.96%
Earnings per share*					
Basic (RMB)	**0.10**	0.53	1.44	0.77	0.51
Diluted (RMB)	**0.10**	0.53	1.43	0.76	0.50

	At 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**9,396,152**	10,027,159	10,364,216	8,537,077	2,172,902
Total liabilities	**1,316,964**	1,746,118	2,173,350	1,392,641	951,093
Net assets	**8,079,188**	8,281,041	8,190,866	7,144,436	1,221,809
Equity attributable to the equity shareholders of the Company	**8,078,818**	8,279,316	8,183,701	7,136,214	1,222,544

* Earnings per share of prior years have been restated to reflect the impact of bonus issue.

Chairperson's Statement

Dear Shareholders,

Looking back at 2024, although the domestic innovative drug industry remained in a cyclical downturn, its development resilience was fully demonstrated. In the face of various challenges in the industry and the market, the Board and the management of the Company responded proactively to the changes by making prompt adjustments to its business strategies. During the Reporting Period, the Company remained committed to technological innovation, enhanced research and development capabilities, consolidated and leveraging its strengths, and continuously fortified its core competitiveness to adapt to the changing industry trends. On this basis, the Company persisted in capability building and technological improvements across multiple fields, while adopting various innovative measures to enhance operation efficiency and service quality. Moreover, the Company leveraged its comprehensive international industry qualifications to actively expand into international markets. Furthermore, the Company has been expanding and improving its upstream and downstream business capabilities to further enhance its one-stop service standards, thereby better meet customer needs and enhance market competitiveness.

During the Reporting Period, the Company achieved revenue of RMB2.018 billion, and net profit from laboratory services of RMB50.1868 million. As of the end of the Reporting Period, the overall orders on hand of the Company were approximately RMB2.2 billion.

The year 2025 will remain a year full of challenges and opportunities. The Board and the management of the Company will continue to uphold its visions of "serve drug innovation, focus on safety assessment and monitoring of drug full-life cycle, ensure the drug use safety of patients and protect human healthy life", and will take effective measures to improve the Company's comprehensive service capability and customer satisfaction level, so as to create value for shareholders.

Ms. Feng Yuxia
Chairperson of the Board

Hong Kong, 28 March 2025

Management Discussion and Analysis

1. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

(I) Marketing

In 2024, the domestic pharmaceutical industry was affected by the slowdown in investment and financing, resulting in a slightly slower pace in market demand growth and intensified competition in the industry. Against this backdrop, there were fluctuations in the orders placed with the Company, nevertheless, the Company insisted on strengthening innovation in technology and business and deeply cultivating the industry. During the Reporting Period, the Company's overall orders on hand amounted to approximately RMB2.2 billion, with signed orders amounting to approximately RMB1.84 billion. The Company's marketing work in 2024 focused on:

(1) Actively developing customers, resulting in a sustained growth in the number of new customers and new projects signed.

(2) In the fields of anti-tumor drugs, self-immune target drugs, metabolic system drugs (especially GLP-1 target drugs), PROTAC drugs, and central nervous system (CNS) drugs, the number of new project contracts maintained an upward trend. Meanwhile, attributable to our in-vivo and in-vitro drug analysis capabilities accumulated over the years, the number of new contracts secured for small nucleic acid projects and innovative ADC projects increased significantly.

(3) Relying on the one-stop service system from target discovery to clinical validation, the number of new contracts for double-antibody and multi-antibody projects and contracts for CGT drugs (especially iPSC serial cells, mRNAs, viral vector drugs and therapeutic vaccines) remained stable.

(4) Challenging tests such as reproductive, carcinogenic and long-cycle animal tests continued to increase, reflecting that the Company's high quality and stable operation has provided its customers with great protection and reduced risks.

(5) Orders from overseas customers basically remained stable, with signed orders amounting to approximately RMB380 million in 2024.

(II) Business Capacity Development

In 2024, the Company, as always, gave priority to the quality of business, emphasizing the standardization of business operation, aiming to ensure data authenticity and accuracy. Meanwhile, the Company continued to organize professional training and capacity enhancement programs for its staff, while strictly controlling the quality from program design, experimental process to report delivery, striving to ensure the scientificity and uniformity of our projects. In addition, the Company further optimized its project management process and quality management system, while conducting its business in a rational and orderly manner through management and technological innovation, aiming to enhance customer satisfaction and provide strong support for its further business growth.

(i) Drug Non-clinical Services

In order to support the research and development of innovative drugs, the Company continued to build capabilities and improve technologies in various fields on the basis of the existing comprehensive non-clinical evaluation platform, so as to maintain the Company's leading edge in the industry and meet continuously innovative and differentiated market demands.

(1) Continuous Improvement of Quality System

In 2024, our Beijing facility successfully passed the FDA GLP on-site inspection. This is the third GLP on-site inspection of the Beijing facility by the FDA, and it is also the fifth time that the Company's two facilities (Beijing and Suzhou) have passed the FDA GLP inspection. The Company has continuously improved its quality management system and quality management methods to ensure research quality, which reflects the Company's GLP operation and management capabilities in compliance with international standards.

The Company have obtained a number of GLP qualification certifications including NMPA in China, FDA in the U.S., OECD, MFDS in South Korea and PMDA in Japan. Such a diversified international certification system not only demonstrates the Company's exceptional ability in quality management and research compliance, but also further enhances its competitiveness in global pharmaceutical research and development. The acquisition of these qualifications has not only provided strong support for the Company's expansion into overseas markets and consolidation of its overseas presence, enabling it to better serve the needs of customers in different regions, but also laid a solid foundation for it to further develop overseas markets in the future, reinforcing the implementation of its internationalization strategy, and promoting its business distribution and sustainable development globally.

(2) Further Enhancement of Business Capabilities

In the field of ophthalmic drug evaluation, the Company has further developed and optimized more ophthalmic disease models, including laser-induced mouse dry AMD model, rabbit autoimmune uveitis model, mouse retinoblastoma model, and further sorted out the Company's internal elderly non-human primate resources and spontaneous eye disease models to meet the market's diversified R&D needs. In addition, new inspection and evaluation indicators for ophthalmic drugs have been further improved, including visual function evaluation of rodents and dogs.

A steady progress has been made in the evaluation of otology drugs. Hearing impairment is one of the greatest challenges confronting the medical profession today, with the disease incidence increasing year by year, and the age of onset of the disease tending to be younger and younger, the current solution to the problem of deafness is mostly the use of hearing aids, vibrating sound bridges, and cochlear implants and other physical methods, with a lack of fundamental treatment, and so far, there is no globally approved treatment. In order to meet market demand, the Company has established auditory function evaluation for animals of different species and round window inner ear dosage technology for large animals, further enriching and improving the evaluation methods and technologies of otology drugs.

For the evaluation of central nervous system drugs, the Company has continuously improved various drug delivery methods, established long-term catheterization methods in the sheath/medullar cistern/lateral ventricle of primates, intrathecal/lateral ventricle drug delivery methods for newborn mice, and intramedullary drug delivery methods for rat/mice, and verified their effectiveness, providing guarantees for the evaluation of central nervous system drugs. The Company has also added new models for psychotropic drugs and behavioral evaluation methods, laying a solid foundation for the preclinical evaluation of central nervous system drugs.

Meanwhile, the Company continues to update and improve various models to support drug evaluation for current popular drugs, including the establishment of GLP-1, GCG and other receptor affinity detection, HPV neutralizing antibody detection methods; alanine scanning and PBMC cross-reaction tests to evaluate the off-target of immune cells in vitro, etc.

Among them, a systematic non-clinical evaluation method for GLP-1R/GCGR/GIPR target drugs has been established. We have established a complete non-clinical research system for metabolic target drugs such as GLP-1R, GCGR and GIPR, covering the whole process of methodology development from in vitro receptor binding and function detection to in-vivo drug efficacy and safety evaluation. The system can efficiently support the screening and optimization of multi-target metabolic drugs and enhance the efficiency of new drug development.

In the construction of analytical detection platforms, the construction of in vitro metabolism platform for small molecule drugs has been strengthened to systematically evaluate in-vitro metabolism research, MSD detection methods have been established for oligonucleotide drugs, mass spectrometry detection methods have been established for small molecules in drug conjugates for ADC drugs, and a platform technology for detection of PEG and cationic lipids by mass spectrometry has been established. For macromolecular drugs, from a single ELISA platform to today's various qPCR, ELISPOT, WB, FLOW and other platforms, the service capabilities are comprehensive, covering conventional biological products (antibody drugs, fusion protein drugs), gene therapy products (viral vectors), cell therapy products (stem cells, immune cells, genemodified cells, etc.), nucleic acid drugs (mRNA, siRNA, etc.) and other drugs. A large number of technical innovations have been made in analytical methods, such as using flow cytometry to detect protein expression on single cells, mass spectrometry to detect target gene expression, and droplet digital PCR platform-based detection of mRNA integrity.

On the basis of platform construction, the Company keeps up with the popular products of cutting-edge drugs, and constantly updates and improves the non-clinical safety evaluation system and ideas of innovative drugs, including the evaluation of small nucleic acid drugs, new ADC drugs and PROTAC drugs, and the evaluation of various types of cell therapy and gene therapy products; it also participates in and follows up in real time on the formulation of the latest guidelines for drug evaluation, such as the guidelines for non-clinical evaluation of stem cell products and tumor vaccine products, improves the evaluation system of corresponding categories of products, and further consolidates the core competitiveness of the Company.

(3) An Integrated New Drug R&D Platform

The Company takes supporting innovative drug development as its primary mission, accompanying customers throughout the whole R&D process, comprehensively empowering their operations and reducing their communication costs. From the development of experimental methods to high-throughput screening, from routine drug screening to in-depth research on drug mechanism of action, and further to target verification and in vitro biological testing, we provide new drug R&D organizations with key information and technical support in the early stage leveraging our comprehensive, multidisciplinary expertise and capabilities, helping our partners improve their efficiency in new drug development.

The Company has a full range of one-stop new drug development solutions which, with our drug discovery and screening platform as the core, consist of the drug discovery platform, molecular biology interaction research and screening, in-vitro bio-drug efficacy verification and activity screening, in-vivo pharmacological efficacy, in-vivo and in-vitro metabolism analysis, durability evaluation, and toxicity prediction and screening, among which, the drug discovery platform has the capability of early discovery of biopharmaceuticals, covering protein expression and cell line construction as well as the discovery of clinical candidate antibodies. After years of accumulation, the Company has established a number of cutting-edge technology platforms such as the All-Human Antibody Development Platform, Bispecific Antibody Research and Development Platform, Mono-B Cell Antibody Discovery Platform, Antibody Competence Evaluation Platform and ADC Integrated R&D Platform. Among which:

The Comprehensive Protein and Antibody R&D Platform covers every aspect of the development process, from antibody discovery to drug development. As for our protein platform, it has a variety of antibody expression systems, which supports the expression of human, rabbit, mouse, monkey and nano-antibodies, and can realize the transient expression of 300-500mg antibodies. In addition, it also provides a variety of recombinant protein expression and purification services, covering prokaryotic, eukaryotic and yeast systems, using Protein A and other labels for efficient purification. Our endotoxin-depleted animal experiment sample expression platform is able to ensure high quality and suitability of the samples.

As for our antibody discovery platform, the Company provides high-throughput antibody discovery technology based on single B-cell PCR, 10X genomics single B-cell sequencing and eukaryotic cell demonstration, which is capable of rapid screening and identification of high-affinity antibodies.

For the R&D service platform of Antibody Drug Conjugate (ADC), the Company provides one-stop service, covering antibody development, medicinal chemistry, bio-coupling and characterization, in-vivo/in-vitro pharmacological efficacy, pharmacokinetics, and toxicity evaluation starting from the target, which can provide customers with integrated ADC drug R&D service from antibody development to IND filing. We have various ADC coupling platforms and provide quality control and in-vivo/in-vitro activity evaluation of ADC molecules.

In terms of the dual-antibody platform, it supports the construction of various dual-antibody structures and facilitates the development of highly effective dual-antibody drugs.

The Company is committed to providing customers with customized and reliable solutions to help them resolve uncertainties in the stages of new drug discovery and development, standing with them in facing the challenging complexity in the new drug development process.

Overall, through multi-dimensional business capacity building and technological innovation in 2024, the Company has not only enhanced its comprehensive strength in drug research and development services but also made positive contributions to the overall advancement of the industry. Especially in 2024, as a participating unit of the National Innovation Center (國創中心), the Company undertook the construction of the new drug evaluation sub-platform within the drug concept validation platform. The National Innovation Center is the only national manufacturing innovation center in China dedicated to molecular drugs. Leveraging its professional expertise, the Company will ensure the high-quality completion of the new drug evaluation sub-platform under the unified deployment of the National Innovation Center, supporting the National Innovation Center in integrating innovative resources within the industry and enhancing the overall competitiveness of China's pharmaceutical industry.

(ii) Drug Clinical Services

The Company's clinical service sector has outstanding advantages in Phase I and IIT early clinical research, in particular, it has accumulated rich experience in special fields such as gene drugs, rare diseases, reproduction, gynaecology, pediatrics, and radioactive drugs. The Company provides one-stop clinical operation services covering registration application, medical writing, project operation, and pharmacovigilance, which reduces customers' R&D costs and management costs, improves the one-time pass rate of review, saves a lot of time for project advancement, and improves customer experience.

The Company's clinical sample testing segment has achieved outstanding performance growth, and continued to improve the variety of services, covering clinical sample analysis and drug metabolism studies of innovative gene and cell therapy drugs, preventive vaccines, oncology therapeutic vaccines, innovative bispecific/multispecific antibody drugs, innovative ADC drugs, innovative PROTAC drugs, monoclonal antibody drugs with innovative targets, innovative target small molecule drugs, etc.

On this basis, the Company has further improved its service capability and quality, and achieved multiple milestones: it has enabled a number of innovative drugs to pass the on-site inspection of clinical trials conducted by the National Medical Products Administration of China (NMPA); supported the completion of the world's first patient dosing of a number of innovative gene therapy products; helped a number of innovative drug varieties enter the key clinical stage, and further improved the cellular immunity solutions to support cellular immunity research for multiple preventive biological products, oncology therapeutic vaccines (personalized and impersonality vaccine) and gene therapy products; further improved the service capabilities of the pathological testing platform, covering immunohistochemistry (IHC) and multiple immunofluorescence (MIF) technology, thus promoting biomarker discovery for innovative drugs; established the ability to detect biomarkers of neurological diseases (such as Alzheimer's disease (AD), Amyotrophic Lateral Sclerosis (ALS)); improved the service capabilities of LC-MS/MS technology to support clinical trials of nucleic acid and peptide drugs; enhanced the use of digital PCR technology in gene therapy products and cell therapy products; and also strengthened the application of automated workstations and self-assembled detection kits in clinical testing business to help continuously improve the efficiency and quality of testing. In November 2024, construction of the new clinical testing laboratory site was completed, and its full functional relocation was finalized in January 2025, significantly enhancing production capacity.

"JOINN New Drug Clinical Testing" is committed to becoming a world-class clinical testing platform, providing one-stop clinical trial sample testing services for innovative drugs in both domestic and global markets."

(iii) Experimental model research

The Company's experimental model research primarily covers three major categories to meet diverse research needs and application scenarios. Non-human primate experimental models, with physiological and pathological characteristics highly similar to those of humans, serve as indispensable key tools for studying complex disease mechanisms and evaluating drug safety and efficacy. Small animal experimental models, benefiting from advantages such as rapid reproduction, cost-effectiveness, and ease of management, are widely utilized in the early stages of drug research and development, providing strong support for preliminary screening and fundamental research. Meanwhile, the organoid platform, leveraging cutting-edge technology to closely replicate the physiological and pathological characteristics of human organs, offers a more precise and efficient experimental approach for drug screening, toxicity assessment, and the development of personalized medical treatment plans.

(1) Non-human primates experimental model

The Company continued its endeavor to maintain high quality and high standards of existing key experimental models. In 2024, the overall stock of non-human primate experimental models maintained a steady growth, and continued to maintain a high level of breeding and management, and the main management indicators were further upgraded and optimized. Among them, the Company has conducted systematic screening and model validation for obesity, diabetes, hyperlipidemia, atherosclerosis, neurological diseases, and ophthalmology-related diseases in the field of elderly non-human primates disease models. It has also established a research system that integrates natural morbidity models with induced models, developed an allogeneic hematopoietic stem cell transplantation (allo-HSCT) induced graft-versus-host disease (GvHD) model, as well as optimized and established the screening method for the monkey spontaneous atherosclerosis model, providing essential data support for aging disease mechanism research, drug screening, and preclinical evaluation.

(2) Small animal experimental model

In terms of gene editing, the Company has improved on the original gene-edited mouse model, upgraded the antibody diversity and affinity for the Nano-antibody mouse platform, and used the first-generation Nano-antibody mouse for Nano-antibody screening. On the basis of the immunodeficient mouse model, the Company added hepatocyte defect editing, combined with the organoid platform to upgrade it to a "liver humanized mouse model", and has now entered the final stage of "human liver function evaluation" in mice. In terms of cell models, the Company has applied for a patent (ZL 2023 1 1309170.3). It also actively upgraded its gene editing tools to create the industry's unique "HINI (Homology Independent and Navigated Insertion) Platform", laying a solid foundation for subsequent large-fragment gene editing animals and cell service businesses.

(3) Organoid platform construction

In 2024, the Company's business expanded to "human multifunctional stem cell production" and "organoid platform". Without changing the cell genome, the Company reprogrammed adult cells into pluripotent stem cells (CiPSCs) through cutting-edge chemical reprogramming technology; and differentiated iPSCs into organoids with mature liver cell functions through the organoid differentiation platform.

In order to reduce the reliance on animal experiments and improve the efficiency and accuracy of drug screening, the Company has taken the development experience of organoid platform as the foundation, and combined with rich clinical resources to actively expand the tumor organoid – drug sensitivity platform. Through tireless efforts, the Company has successfully established an in vitro drug sensitivity test using osteosarcoma organoids. This innovative achievement not only offers additional treatment possibilities and reference points for clinical therapy but also benefits patients suffering from malignant osteosarcoma. In the future, the Company plans to further commercialize the platform to serve more clinical research institutions. In addition, the Company will increase its investment in the production of organoids and organoid induction kits, with plans to bring them to market to support non-clinical research and meet the needs of enterprises and universities in iPSC reprogramming and organoid induction.

(iv) Drug quality research and testing business

Currently, the Company has comprehensive capabilities in research and testing of quality standards for biotechnological drugs. After years of accumulation, the Company has completed the development and validation of all relevant testing methods and established a complete service system and technical capabilities. The Company has successfully established a key technology platform for biotechnology drug quality research, and has applied for and published 12 patents based on its innovative strength. The main testing methods of the business have passed CNAS certification and GLP certification, ensuring the scientific, accurate and authoritative testing results.

The Company is able to provide quality research and testing services for a wide range of innovative drugs, including: quality research and testing of innovative drugs such as protein drugs, therapeutic vaccines, gene and cell therapy products. The scope of business covers: cell bank and virus strain bank testing, virus removal and inactivation process verification, gene and cell therapy product quality research and testing, biological activity and structural characterization analysis of recombinant protein drugs and antibody drugs, establishment of transgenic cell activity assay method, etc.

As of December 31, 2024, the Company has issued multiple test reports covering CHO/3T3 cell banks, stem cell products, NK cell products, tenecteplase activity standard collaborative calibration and in vivo animal experiment, demonstrating its strong expertise in the field of biotechnology drug quality research and testing. During the Reporting Period, the Company and CIQ jointly completed the Beijing 2022 Science and Technology Program project, and built a testing platform for JOINN new drug cells and gene products. In addition, the Company has published several articles in the Journal of Pharmaceutical Analysis, an important core journal in the domestic drug analysis field, reflecting the Company's deep technical accumulation and professional strength in this field, while highlighting its leading position in this field. Besides, the Company has already provided services to stem cell enterprises by issuing test reports in compliance with the regulatory requirements of the CDE in China and the FDA in the United States, emphasizing the Company's leading position in the industry and its international competitiveness.

(III) Staff Building

In response to the rapidly evolving industry and market, business divisions of the Company have optimized their organizational structures to enable the Company to operate its businesses more efficiently. In addition, each business division has optimized a number of management systems, providing clearer institutional support for business division management that is more in line with business development needs. In 2024, the Company attracted and introduced senior management personnel to further improve the Company's management level and provide customers with more efficient services. In the first half of 2024, the Company ushered in the 2024 Talent Development Season. Through the establishment of talent development project, the corporate talent model was built, talent strategies were formulated, high-potential/key employees were identified, and employee growth was promoted to help the Company's development. In the second half of 2024, based on the talent model, the Company developed tailored training courses to enhance the management skills of management personnel at various levels, aiming to meet the needs of the Company's continuous development and the ongoing optimization of its organizational structure. The Company also actively comprehends and applies for various national and regional talent policies to ensure the long-term stability of its talent team. As of 31 December 2024, the Company had organized a professional service team of 2,652 employees.

(IV) Production Capacity Building

JOINN Suzhou's Phase II 20,000 m^2 facilities will be gradually put into operation. The design and planning of the facilities fully combines the Company's existing facilities and changing future development needs. The layout is more reasonable and the functions are more consummate. The construction of the new facilities will further improve the Company's business throughput and provide guarantees for future business operation and performance growth. In order to better assist business development and provide employees with a more comfortable working and living environment, the construction of the 22,000 m2 supporting facilities in Suzhou has been completed, which support various operational needs and is expected to be put into use in 2025.

According to the Company's strategic planning and business needs, the Guangzhou facility is now in the final completion and acceptance stage, which will further enhance the overall scale and quality of services after put into operation.

Guangxi Weimei is actively building a business system for NHP animal experiments, and the construction of related supporting laboratories was being actively progressed in 2024. In addition to meeting routine animal experiments, the laboratory fully considers the physiological needs of elderly experimental models in the design of rooms and cages, aiming to significantly improve the welfare level of experimental models. At the same time, the design of the laboratories also fully considers the development of models for complex diseases such as metabolic diseases and central nervous system disorders, providing a more accurate and convenient experimental platform for the study of the mechanisms of these diseases and for drug research and development.

2. FINANCIAL REVIEW

Overview

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

Revenue

During the Reporting Period, revenue generated from our non-clinical studies services accounted for substantially all of our total revenue. The Group's revenue for the year ended 31 December 2024 was RMB2,018.3 million, representing a decrease of 15.1% compared to RMB2,376.5 million for the year ended 31 December 2023. The decrease was primarily driven by a reduction in project unit prices due to intensified competition.

The following table sets forth a breakdown of our revenue by service lines for the years indicated:

	2024		2023	
	RMB'000	**%**	RMB'000	%
Non-clinical studies services	**1,917,487**	**95.0**	2,308,999	97.1
Clinical trial and related services	**99,940**	**5.0**	63,424	2.7
Sales of research models	**907**	**–**	4,064	0.2
Total Revenue	**2,018,334**	**100.0**	2,376,487	100.0

Cost of Services

Our cost of services primarily consists of direct labor costs, cost of supplies and overhead costs.

The Groups' cost of services for the year ended 31 December 2024 was RMB1,512.8 million, representing an increase of 8.3% compared to RMB1,397.1 million for the year ended 31 December 2023. Our cost of services remained relatively stable for the year ended 31 December 2024.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of services, and our gross profit margin represents our gross profit as a percentage of our revenue.

For the year ended 31 December 2024, the gross profit and gross profit margin was RMB505.5 million and 25.0%, respectively, as compared to RMB979.4 million and 41.2%, respectively, for the year ended 31 December 2023. The decrease in gross profit was mainly driven by our decreased gross profit of our non-clinical studies services, which accounted for substantially all of our total revenue during the Reporting Period. Our gross profit margin decreased for the year ended 31 December 2024, primarily driven by a reduction in project unit prices due to intensified competition.

Other Gains and Losses, Net

For the year ended 31 December 2024, other gains and losses, net was RMB161.2 million, represent a decrease of 33.0% as compared to RMB240.5 million for the year ended 31 December 2023. The decrease in other gains and losses, net was primarily due to the decrease in interest income and the negative change in fair value of financial assets at FVTPL.

For the year ended 31 December 2024, the interest income was RMB103.2 million, represent a decrease of 27.6% as compared to RMB142.5 million for the year ended 31 December 2023. The decrease was primarily due to the decreasing deposit rate and increasing purchase of RMB wealth management products.

At the end of the Reporting Period, we recognized loss of RMB4.1 million arising from change in fair value of financial assets at FVTPL, representing a decrease of 109.5% as compared to gains of RMB43.2 million for the year ended 31 December 2023. This result was primarily driven by valuation changes in our equity investments and fund investments.

Losses arising from Changes in Fair Value of Biological Assets

For research models that remained as our biological assets at the end of the Reporting Period, we recognized loss of RMB122.9 million arising from changes in fair value of biological assets for the year ended 31 December 2024, as compared to losses of RMB288.8 million for the year ended 31 December 2023. The decrease in loss was primarily due to a deceleration in the decline of the unit fair value of biological assets, aligning with the overall decrease in the market valuation of research models.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs relating to our marketing and business development personnel, office expenses, and others such as marketing and promotion fees, travel, conference and event expenses, incurred by our own sales and marketing personnel in connection with our business development activities.

The Group's selling and marketing expenses for the year ended 31 December 2024 was RMB27.9 million, representing an increase of 13.3% compared to RMB24.6 million for the year ended 31 December 2023. The rise in selling and marketing expenses was primarily driven by higher costs in customer development due to intensified competition.

General and Administrative Expenses

Our general and administrative expenses primarily consist of staff costs relating to our administrative and management personnel, office expenses, depreciation and amortization expenses, expenses for research models and others. The Group's general and administrative expenses for the year ended 31 December 2024 was RMB315.9 million, representing an increase of 6.6% compared to RMB296.5 million for the year ended 31 December 2023. Our general and administrative expenses remained relatively stable for the year ended 31 December 2024.

Research and Development Expenses

The research and development expenses for our Group primarily consist of staff costs relating to our research and development projects and cost of raw materials used for research and development.

The Group's research and development expenses for the year ended 31 December 2024 was RMB92.9 million, representing a decrease of 4.1% as compared to RMB96.9 million for the year ended 31 December 2023. Our research and development expenses remained relatively stable for the year ended 31 December 2024.

Finance Costs

The Group's finance costs for the year ended 31 December 2024 was RMB2.4 million, representing a decrease of 22.1% compared to RMB3.1 million for the year ended 31 December 2023. The decrease in finance costs was primarily due to the decrease in interest on lease liabilities.

Income Tax Expense

The Group's income tax expense for the year ended 31 December 2024 was RMB34.3 million, representing a decrease of 70.3% as compared to RMB115.4 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in profits.

The Group's effective tax rate for the year ended 31 December 2024 was 33% (for the year ended 31 December 2023: 22.8%). The increase was primarily due to the decreased losses arising from negative changes in fair value of biological assets with relatively low tax rate.

Profit for the Year

As a result of the foregoing reasons, our profit for the year decreased by 82.2% from RMB391.6 million for the year ended 31 December 2023 to RMB69.8 million for the year ended 31 December 2024. Our net profit margin decreased from 16.5% for the year ended 31 December 2023 to 3.5% for the year ended 31 December 2024. The decrease in net profit was primarily due to the decreased gross profit discussed above.

BIOLOGICAL ASSETS

Information about the Independent Appraiser of Our Biological Assets

For the year ended 31 December 2024, our biological assets mainly consist of non-human primate research models hosted at our Guangxi and Yunnan facilities primarily for scientific research and breeding purposes. Our biological assets are used for our non-clinical studies services, which are classified as current assets, and for purposes of breeding, which are classified as non-current assets.

As of 31 December 2024, there were more than 20,000 heads of non-human primates for breeding and non-human primates for non-clinical studies in total.

Our biological assets were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”), which is an independent professional appraiser not connected with us and has extensive experience in valuation of biological assets. The key appraiser of the JLL team is Mr. Simon M.K. Chan. Based on market reputation, track record in biological asset valuation and relevant background research, our Directors are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

Valuation Methodology

The fair values of biological assets are determined using market approach and depreciated replacement cost approach. Market price and replacement cost and adjustment factors based on the characteristics of the biological assets (including age, gender, health status, breeding useful life and etc.) were used in the calculations of fair values. As at 31 December 2024, the average market price of the non-human primates research model of 3 to 5 years old is RMB80,000 per head.

Key Assumptions and Inputs

The key input and assumption made for valuing our biological assets include the following:

- classification of our Company's biological assets according to their age and gender;
- quantity of each category of our biological assets at each valuation date;
- unit market price of key valuation input at each valuation date;
- cost for raising the non-human primate research models;
- residual breeding useful lives of non-human primate research models, which its fertility will be greatly reduced normally at the age of 17; and
- there are no hidden or unexpected conditions associated with our business that might adversely affect the reported values.

The following factors form an integral part of the bases of JLL's opinion:

- assumptions on the market and the asset that are considered to be fair and reasonable;
- consideration and analysis on the micro and macro economy affecting our biological assets;
- analysis on tactical planning, management standard and synergy of the biological assets;
- analytical review of the biological assets; and
- assessment of the liquidity of the biological assets.

Sensitivity Analysis

The following table indicates the instantaneous change in the value of our biological assets that would arise if the key inputs for valuation as of 31 December 2024 had changed at that date, assuming all other risk variables remained constant:

Change in unit market price of male non-human primate research model at age of 3-5 (%)	–30%	–20%	–10%	10%	20%	30%
Change in fair value of the Subject (RMB'000)	(178,818)	(119,212)	(59,607)	59,607	119,212	178,818
Change in unit market price of female non-human primate research model at age of 3-5 (%)	–30%	–20%	–10%	10%	20%	30%
Change in fair value of the Subject (RMB'000)	(144,716)	(96,477)	(48,239)	48,239	96,477	144,716
Change in costs for raising to the age of 3 (%)	–30%	–20%	–10%	10%	20%	30%
Change in fair value of the Subject (RMB'000)	99,842	66,304	33,023	(32,767)	(65,276)	(97,528)
Change in end of the breeding useful lives (%)	–30%	–20%	–10%	10%	20%	30%
Change in fair value of the Subject (RMB'000)	(97,784)	(64,336)	(32,866)	34,613	68,987	103,251

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group reviews and manages its capital structure regularly and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

Liquidity and Financial Resources

The Group's cash and cash equivalent as at 31 December 2024 were RMB965.2 million, representing a decrease of 66.3% compared to RMB2,862.9 million for the year ended 31 December 2023. The decrease was primarily due to the purchase of financial assets at FVTPL.

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary course of business, including payments received from our customers for our services in non-clinical studies.

Gearing ratio

As at 31 December 2024, the gearing ratio, calculated as total liabilities over total assets, was 14.0%, as compared with 17.4% as at 31 December, 2023. The decrease was primarily due to the decrease in contract liabilities which represent amounts received in advance from the customers.

Significant Investments, Material Acquisition and Disposals

During the Reporting Period, the Group did not have any significant investments, acquisitions or disposals.

Charge on Assets

As at 31 December 2024, there was no material charge on assets of the Group.

Contingent Liabilities

As of 31 December 2024, we did not have any material contingent liabilities.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our time deposits, cash and bank balances, other financial assets, trade and other receivables, trade and other payables, and financial assets at FVTPL are denominated in foreign currency which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Future Plans for Material Investments

The Group will continue to extensively identify potential strategic investment opportunities and seek to acquire potential high-quality targets that create synergies for the Group in relation to such aspects as product research and development, product portfolio, channel expansion or cost control.

Share Pledge

During the Reporting Period, there is no pledge by our Controlling Shareholders of their interests in the Shares to secure the Company's debts or to secure guarantees or other support of its obligation.

Subsequent Events After the Reporting Period

There are no material subsequent events from 31 December 2024 to the date of this report.

3. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Industry Landscape and Trends

The CRO industry in China has evolved from its infancy to a stage of rapid development and is currently in a transition period from rapid development to high-quality development. Chinese CRO enterprises have been making continuous progress in technological innovation and industrial integration. They have not only gradually narrowed the gap with international leading enterprises, but also demonstrated significant cost advantages. The changing trends in the domestic CRO industry's competitive pattern are mainly reflected as follows:

Full-industrial-chain business layout and comprehensive competitiveness: Numerous CROs are seeking to expand their service areas and form one-stop services to increase revenue and mitigate risks, and to compete against specialized competitors in niche fields with their comprehensive competitive strength. The construction of full-industrial-chain service capabilities includes services such as drug discovery, pharmaceutical research, pharmacology and toxicology research, clinical research, product production and sales, as well as extended services like inspection and testing, animal production and reagent production.

Internationalized services: CRO services are oriented towards the global market, and the main arenas for drug R&D are developed countries such as those in Europe, America and Japan. Domestic CROs are all seeking to go global, striving to establish and enhance their international service capabilities. They obtain the necessary industry-related certifications in accordance with international standards, actively deploy and explore international markets, and even establish overseas branch service institutions (including experimental facilities).

Merger and reorganization: Currently, there are a large number of enterprises in the industry. Most enterprises in the industry suffer from shortcomings such as incomplete qualification certifications, small-scale facilities and weak technology strength. With the continuous development of the CRO industry and the continuous strengthening and improvement of industry regulatory policies, market competition will become increasingly fierce, and industry entry barriers will continue to rise. Small and medium-sized CRO institutions lacking core competitiveness will gradually withdraw from the market, and the trend of industry integration, mergers, and acquisitions will become more and more prominent.

(II) Development Strategy of the Company

The Company's overall development strategy is as follows: Taking drug non-clinical evaluation services as its core business, the Company actively expands upstream and downstream service capabilities, including drug early-stage discovery, drug screening, cell testing, clinical CRO services, clinical testing services, etc. It also expands the production scale and capacity of experimental models, creating a unique golden industrial chain of non-clinical safety evaluation, clinical trials and related services, and high-quality experimental model supply, and providing one-stop services. Guided by market demand, the Company actively develops new technologies and methods to meet the needs of innovative drugs, forming new service advantages. It further enhances its international service capabilities to participate in global competition. Ultimately, it aims to build itself into a comprehensive CRO company with international competitiveness.

(III) Business Plan

1. *Drug Non-clinical Services*

(1) The Company will increase business investment, continuously develop and introduce new technologies and methods to improve service quality standards and accelerate business development. Meanwhile, it will continuously optimize the internal management system to enhance service efficiency. In addition, to achieve higher performance targets, the Company will further expand production capacity and strengthen staff building. Through a series of measures, we will continuously consolidate and enhance the Company's market share and leading position in the field of drug non-clinical services. In 2025, the Company will continue to make efforts in multiple key areas to promote the high-quality development of its businesses. Firstly, we will continue to improve our capabilities in pharmacology and toxicology research and evaluation, and further enhance project management capabilities and project operation efficiency. At the same time, the Company will increase investment and continuously promote the optimization of work processes based on artificial intelligence to improve labor productivity and service quality, ensuring the continuous improvement of service standards. Moreover, the Company will fully ensure the smooth operation of new experimental facilities, continuously improve the GLP system, enhance regulatory compliance levels, and ensure that all work is carried out smoothly and in compliance. Through these comprehensive measures, the Company will provide more efficient and better services to customers and further consolidate its leading position in the industry.

(2) Based on the existing pharmacology and toxicology technology system, the Company will continuously enrich and improve the evaluation platform and technology system to meet the non-clinical evaluation needs of drugs with new targets and new technologies. It will strengthen the construction of new capabilities in otology drug evaluation, small nucleic acid metabolite analysis, etc., and continuously improve disease models of the respiratory system and central nervous system. It will improve drug screening service capabilities, provide comprehensive biological services and solutions, keep up with the trends and hotspots of domestic and foreign new drug R&D, provide high-throughput screening and customized services for customers, closely follow the R&D process of customers, and establish a rapid and efficient screening platform. It will expand its capabilities in the biological evaluation of medical devices and the toxicology evaluation of veterinary drugs and pet drugs. The Company will actively explore the possibility of mergers and acquisitions and adopt various cooperation methods to quickly establish R&D capabilities, seize the market, and form new points of profit growth.

(3) The drug discovery services segment will integrate multiple technological approaches to provide customers with early R&D services from target screening verification to preclinical candidate compound (PCC), which includes: focusing on antibody drug development, developing intelligent antibody discovery systems; constructing a multi-dimensional efficacy evaluation matrix, in-vitro biological platform and in-vivo/in-vitro pharmacological & efficacy platforms that cover multiple disease models and animal models; optimizing ADME and PK-PD service systems that meet FDA/EMA requirements, developing ultra-sensitive LC-MS/MS-based bioanalytical techniques, and constructing cross-species PDPK model prediction systems; conducting early toxicity prediction and screening, developing stem cell-based liver/kidney toxicity prediction models and an AI-driven toxicity warning platform.

(4) The development of the international market is an important development strategy for the Company and a key support for maintaining sustained and rapid growth. The Company will promote internationalization through the following measures: Integrate the upstream and downstream chains to provide one-stop non-clinical services, divert early-stage R&D and screening projects to China for safety evaluation (GLP business), and use the rich experimental resources and efficient management in China to provide cost-effective services for overseas drug R&D enterprises; Strengthen overseas market promotion, formulate effective strategies, improve the capabilities of the sales team, deeply explore the needs of potential customers, and improve the overseas market sales system; strengthen the construction of the international business team, recruit and train professional talents with an international background, and improve cross-cultural communication and service capabilities; build an international brand image, win customer reputation through high-quality services, enhance brand reputation and international market visibility, and use the Hong Kong stock platform to expand overseas brand promotion.

(5) Increase talent cultivation and introduction. In 2025, the Company will focus on strategic needs, strengthen staff building, and focus on introducing and cultivating domestic and abroad high-end and compound talents to reserve strength for future development. At the same time, it will optimize the performance appraisal system, strengthen the application of results, and stimulate employees' motivation; dynamically adjust the salary and welfare system to enhance the salary competitiveness of core positions and key talents, attracting and retaining outstanding talents. In addition, the Company will also promote the digital construction of human resources, strengthen the digital and intelligent transformation of various modules, use big data analysis to support talent strategy decision-making, and improve management efficiency.

2. Drug Clinical Services

Leveraging its existing non-clinical business, customer resources, and the in-depth understanding of drug safety by its professional technical team as well as the full knowledge of GLP and GCP, the Company will gradually strengthen the following aspects:

(1) Brand building for early-stage clinical trials of innovative drugs. By leveraging the project resources of its non-clinical business, and giving full play to the experience advantages of the expert team, the Company will closely cooperate with more early-stage clinical bases, provide precise clinical development strategies and medical plan designs for early-stage clinical projects of innovative drugs, and through high-quality and efficient clinical operations, help R&D enterprises save R&D time and promote projects to enter confirmatory clinical trials quickly.

(2) Broaden the scope of clinical testing services, increase the capabilities and qualifications of medical testing laboratories, and expand the scale of the clinical testing team to better support the development of the overall clinical business.

(3) Strengthen the construction of the clinical operation team to ensure operation and delivery capabilities. Through efficient management and internal training system, improve the project management capabilities of the operation team, enhance project operation quality, and establish a guarantee mechanism for on-time delivery.

(4) Improve international registration capabilities. To meet the overseas application needs of customers, the Company continues to enhance its dual-registration capabilities in China and the United States, helping more new drug R&D enterprises complete their product export plans.

3. *Experimental Model Research*

In order to promote innovation and development in the biopharmaceutical field, the Company will increase investment in innovation, especially in the construction and application of new experimental models and organoids. The Company will actively respond to national policy support and conduct innovative explorations in tumor research and new drug development using organoid technology. Through these investments and constructions, the Company can not only enhance its competitiveness in the biopharmaceutical field, but also provide more efficient and accurate experimental models for the industry, facilitating the rapid development of new drug R&D and clinical applications.

(1) To ensure the stable supply of non-human primates experimental models, the Company will further promote the development of innovative technologies, continuously advance innovation in the experimental model business, and improve the regulated and standardized quality assurance system for experimental models. Firstly, the Company will optimize the population structure of non-human primates to increase productivity and ensure the stable supply of experimental models. Secondly, the Company will vigorously conduct the development of elderly non-human primates disease models, especially in fields such as obesity, diabetes, hyperlipidemia, atherosclerosis, nervous system diseases and ophthalmic-related diseases. Through strict genetic screening and environmental control, the innovative models that highly simulate the pathological characteristics of human diseases will be developed, providing strong technical support for disease mechanism research, drug screening and pre-clinical evaluation.

(2) Building on the liver humanized mouse model to support liver disease drug development; maximizing the advantages of immunodeficient mouse models, the Company plans to launch more immune cell humanized mouse models in 2025; providing proprietary oncogenic mouse models to support drug safety evaluation.

(3) The Company will also increase investment in the construction of the organoid platform, combine more clinical resources, further improve and optimize existing technologies, and promote the developed organoid platform to the market to serve more clinical research institutions. Meanwhile, the drug sensitivity platform will be expanded to cover more tumor organoids, benefiting more tumor patients.

4. RISK MANAGEMENT

Principal risks and uncertainties facing the Company

1. Risk of changes in the international economic situation and weak development of the industry

Our business depends on the demand for drug research and development, and the biopharmaceutical industry is currently affected by a combination of factors, while investment in the pharmaceutical industry and drug innovation is reduced. In addition, there is a potential increase in the risk of geopolitical instability and rising trade protectionism, which may affect the Company's revenue from international business and lead to the risk of exchange loss.

2. Risk of adherence and compliance of regulations

Since the Company provides pharmaceutical research and development services to customers in various countries and nations, the commencement of our projects is subject to various applicable legal and regulatory requirements. If the Company fails to comply with the relevant laws, regulations, industry standards or any future changes thereof properly, the reputation, business, financial condition, operating results and prospects of the Company may be negatively affected.

3. Risk of talents

Along with the expansion of business scale and expansion of business scopes of the Company, the Company has a greater need for talents with expertise in management, technology and marketing. However, the cultivation period of talents in the industry is long, and the Company's business development depends significantly on the cultivation and introduction of talents necessary for the current business and future business development of the Company. Along with the globalization of market competitions and increasing labor costs, introduction of required talents may become a difficult problem of the Company. At the same time, after recruiting relevant talents, the Company is also required to establish ideal career promotion paths for employees to avoid loss of talents.

4. *Risk of market competition*

Along with the continuous development of non-clinical CRO industry, the market competitions in the industry are increasingly intense. Other competitors in the industry have been expanding their productivities and increasing their experimental facilities. If the Company cannot maintain our own core competitive edges and complete the construction of investment projects as soon as possible, we will be subject to serious challenges from other competitors in the industry and the profitability of the Company will be affected.

5. *Risk of raw materials supply*

The Company mainly procures research models for non-clinical studies from third parties. If the supplier cannot guarantee stable supply or increase the sale price of research models, the smooth progress of projects will be affected or the project costs of the Company will be increased, which ultimately brings negative impacts to the operating results of the Company.

6. *Risk of failure to keep up with the times and not emphasizing technological innovation*

An increasing number of pharmaceutical research and development institutions are being tilted to innovative drugs and new drug targets have been emerging, which requires the Company to follow the development trend of the industry to actively establish new technologies and methodologies, so as to maintain our leading position in the industry. If we fail to develop or adapt to new technologies and methodologies in a timely manner, the demands of customers for our services may decrease, thereby harming our business and prospects.

7. *Risk of new business development*

In order to maintain its industry leadership, the Company needs to continuously expand its business, including entering into new service areas, building new facilities and establishing new technological capabilities. These expansions require substantial investment in manpower and material resources. If they are not well organized, or the introduction of talents is not as expected, or the projects are not in good progress, new revenues and profits will not be generated, which will result in idle funds and difficulties in cost recovery, and put pressure on the Company's current and future performance growth.

EXECUTIVE DIRECTORS

Ms. Feng Yuxia (馮宇霞), aged 61, is the chairperson of the Board, an executive Director and the founder of our Company. Ms. Feng joined our Group in August 1995 and was appointed as the chairperson of the Board and a Director of our Company in June 2007, and was re-designated as an executive Director in August 2020. Ms. Feng is primarily responsible for the overall strategic planning of our Group and presiding over the Board affairs.

Prior to her appointment as the chairperson of the Board and a Director of our Company, Ms. Feng served as the general manager of our Company from August 1995 to June 2007.

Ms. Feng possesses extensive experience in the biopharmaceutical and healthcare industries. She practiced as a doctor at the 252nd Hospital of the Chinese People's Liberation Army (中國人民解放軍第252醫院) from August 1986 to August 1989. She successively served as an intern researcher and an assistant researcher at the Institute of Toxicology and Drugs of Chinese Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院毒物藥物研究所) from 1992 to 1994. She has served as the chairperson of the board of JOINN (Beijing) Biotechnology Ltd. (北京昭衍生物技術有限公司) since February 2019.

Ms. Feng received her bachelor's degree in medicine from the Third Military Medical University (第三軍醫大學) in China in July 1986 and obtained her master of medicine degree in pharmacology from Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院) in China in August 1992.

Mr. Gao Dapeng (高大鵬), aged 43, is an executive Director, the general manager, the secretary to the Board and a joint company secretary of our Company. Mr. Gao joined our Group in November 2012 and was appointed as a Director in October 2013 and re-designated as an executive Director in August 2020. He has also served as the general manager of our Company since January 2019 and the secretary to the Board since March 2013. He was appointed as a joint company secretary of our Company in August 2020. Mr. Gao is primarily responsible for overseeing the operation, capital management and matters relating to information disclosure of our Group.

Mr. Gao previously served multiple other positions at our Company, including as a finance manager from November 2012 to January 2013, and the chief financial officer from January 2013 to March 2020. His tenure as the chief financial officer of our Company overlapped with that of Ms. Yu Aishui during the period of July 2019 to March 2020 to ensure a smooth handover of the relevant responsibilities from Mr. Gao to Ms. Yu.

Prior to joining our Group, Mr. Gao served as an assistant auditor at Beijing Zhongshui Xincheng Tax Firm (北京中稅信誠稅務師事務所) from August 2005 to July 2006, an assistant accountant and the finance manager successively at Staidson (a company listed on the Shenzhen Stock Exchange with stock code: 300204) from June 2007 to October 2012.

Mr. Gao received his bachelor's degree in management from Central University of Finance and Economics (中央財經大學) in China in July 2005.

Mr. Gao is the husband of the niece of Ms. Feng.

Ms. Sun Yunxia (孫雲霞), aged 57, is an executive director and a vice general manager of our Company. Ms. Sun joined our Group in October 1999 and was appointed as a Director in January 2019 and re-designated as an executive Director in August 2020. She was appointed as a vice general manager of our Company in December 2012. Ms. Sun is primarily responsible for overseeing the non-clinical operations of our Group.

Ms. Sun previously served multiple other positions at our Company, including as a senior study director from October 1999 to April 2005, the director of toxicology department from April 2005 to June 2008, the director of quality assurance department from July 2008 to December 2009, the manager of JOINN Laboratories (Suzhou) since January 2010.

Prior to joining our Group, Ms. Sun successively worked as a food hygiene supervisor at Siping City Epidemic Prevention Station of Jilin Province (吉林省四平市防疫站), and practiced as the chief physician at Peking University Shougang General Hospital (北京大學首鋼醫院). Ms. Sun has been serving as a committee member of Professional Committee of Drug Toxicology and Safety Evaluation of Chinese Society of Toxicology (中國毒理學會藥物毒理與安全性評價專業委員會) since October 2011, a council member of Chinese Society of Toxicology (中國毒理學會) since October 2018, and a standing committee member of Professional Committee of Chinese Medicine and Natural Medicine Toxicology of Chinese Society of Toxicology (中國毒理學會中藥與天然藥物毒理專業委員會) since November 2019.

Ms. Sun received her master's degree in medicine from Norman Bethune University of Medical Sciences (白求恩醫科大學), now known as Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部), in China in July 1995.

Ms. Luo Xi (羅樨), aged 48, is an executive director of our Company. Ms. Luo is a Ph.D. of Micrological and Biochemical Pharmacology. From July 2007 to April 2012, Ms. Luo served as an analyst and industry leader of the pharmaceutical industry in the securities research and development department of CSC Financial Co., Ltd.; from May 2012 to March 2015, she worked as an analyst of medical health industry in Zhong De Securities Company Limited (中德證券有限責任公司); from March 2015 to September 2021, she worked as an executive director and deputy head of healthcare group of global investment banking committee in CITIC Securities Co., Ltd. (中信証券股份有限公司); from September 2021 to November 2023, she served as the chief financial officer of CanSino Biologics Inc.; from December 2023 onwards, she served as the deputy general manager of the Company.

Mr. Gu Jingliang (顧靜良), aged 45, is an executive director of our Company. Mr. Gu possesses a master's degree. He joined the Company in April 2006 and has successively served as the head of pharmacodynamics/toxicology, the deputy director and director of drug metabolism laboratory, and the director of marketing and sales department. He is currently the deputy General Manager and Chief Brand Officer of the Company.

Mr. Gu has also served as the general manager of JOINN Clinical (Suzhou) Co., Ltd. (蘇州昭衍醫藥科技有限公司), our wholly-owned subsidiary, since July 2018. Mr. Gu served as a director at Wan Yinuo (Suzhou) Biotechnology Co., Ltd. (萬醫諾（蘇州）生物科技有限公司) from January 2017 to October 2021. He also served as a director at Suzhou Guangao Pharmaceutical Development Co., Ltd. (蘇州廣奧醫藥開發有限公司) from January 2017 to April 2021.

Mr. Gu obtained his master of medicine degree in pharmacology from Jilin University in June 2006.

Mr. Gu's spouse is the granddaughter of the aunt of Ms. Feng.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yang Fuquan (楊福全), aged 60, has served as an independent non-executive Director of our Company since January 2025. Mr. Yang possesses a doctoral degree. He graduated from Zhengzhou University in July 1987, majoring in analytical chemistry, and received a bachelor's degree in science. In December 1992, he graduated from the Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences, majoring in analytical chemistry, and received a Ph. D degree in science. From December 1992 to June 1995, he engaged in postdoctoral research in the Department of Environmental Chemistry, National Institute of Environmental Research, Japan Environment Agency; from June 1995 to December 2000, he served as an associate researcher at the Beijing Institute of New Technology Applications; from December 2000 to June 2004, he served as a visiting scholar at the National Institutes of Health (NIH) and the National Heart, Lung, and Blood Institute (NHLBI). From July to August 2006, he served as a senior visiting scholar at the Scripps Research Institute in the United States; from June 2004 to the present, he has been a researcher at the Institute of Biophysics, Chinese Academy of Sciences, a director of the Proteomics Technology Laboratory of the Research Platform for Protein Sciences, a chief scientist of mass spectrometry and a doctoral supervisor; from October 2005 to the present, he has been a member of Chinese Proteomics Professional Committee and a committee member of the Mass Spectrometry Branch of the Chinese Physical Society; from October 2015 to the present, he has been a position professor at the University of Chinese Academy of Sciences and a doctoral supervisor; from October 2017 to the present, he has been a deputy director committee member of the Professional Committee on Extracellular Vesicle Research and Application, Chinese Society of Research Hospitals; from October 2023 to the present, he has been a deputy director member of the Academic Committee of the School of Life Sciences, Beijing University of Chinese Medicine and a member of the First Academic Committee of the National Key Laboratory of Nephrology, the General Hospital of Chinese People's Liberation Army.

Mr. Yang Changyun (陽昌雲), aged 55, has served as an independent non-executive Director of our Company since January 2025. Mr. Yang possesses the qualification of certified public accountant and a Ph.D. degree in management (accounting). He graduated from Lanzhou Commercial College (now known as Lanzhou University of Finance and Economics) with a Bachelor's Degree in Accounting in June 1993, and obtained a Master's Degree in Accounting from the Institute of Fiscal Science, Ministry of Finance (now known as Chinese Academy of Financial Sciences) in September 1999, and a Ph.D. degree in management (accounting) from the Institute of Fiscal Science, Ministry of Finance (now known as Chinese Academy of Financial Sciences) in September 2011. From July 1993 to September 1999, he served as a lecturer in the Department of Accounting of Ningbo University; from May to November 2000, he served as a project manager of the Investment Banking Department of Guosen Securities Co., Ltd.; from February 2001 to March 2007, he served as manager of the Listed Company Department of Shanghai Stock Exchange; from April 2007 to August 2009, he served as an assistant to the chief executive of Industrial Securities Co., Ltd.; from September 2009 to January 2015, he served as the secretary of the board of directors and the chief financial officer of Hongyuan Securities Co., Ltd.; from January 2015 to December 2020, he served as the deputy general manager, the secretary to the board of directors and the chief financial officer of Shenwan Hongyuan Group Co., Ltd.; from February 2021 to May 2023, he served as the business director of asset management of Guodu Securities Co., Ltd.; from September 2023 to date, he has been the chairman of Beijing Shenrun Private Equity Fund Management Co., Ltd..

Biographies of Directors, Supervisors and Senior Management

Mr. Ying Fangtian (應放天), aged 55, has served as an independent non-executive Director of our Company since January 2025. Mr. Ying was elected as an academician of the European Academy of Engineering in May 2024 and appointed as the president of the National EcoIndustrial Design Institute (EIDI) in 2020. From July 2005 to August 2010, he served as a deputy director and associate professor of the Department of Industrial Design, the College of Computer Science and Technology, Zhejiang University; from July 2005 to date, he has been a director and professor of the Ministry of Education's Engineering Center for ComputerAided Product Innovation Design (計算機輔助產品創新設計教育部工程中心); from April 2010 to November 2023, he has been the general manager of Hangzhou Gaoyue Technology Co., Ltd. (杭州高越科技有限公司); from April 2007 to date, he has been the chairman and general manager of Hangzhou Yinao Intelligent Technology Co., Ltd. (杭州億腦智能科技有限公司); from May 2008 to date, he has been a deputy director and professor of Zhejiang Provincial Key Laboratory of Service Robotics; from October 2009 to August 2019, he served as executive director and general manager of Xuzhou Zhongkuang Anxin Science and Technology Co., Ltd. (徐州中礦安信科技有限公司); from February 2010 to date, he has been a executive vice president and professor of International Design Institute of Zhejiang University; from August 2014 to April 2024, he served as a executive director and general manager of Hangzhou Yinao Innovation Workshop Co., Ltd. (杭州億腦創新工場有限公司); from March 2015 to date, he has been the vice president and secretary-general of China Industrial Design Association; from August 2015 to June 2022, he served as a supervisor of Zhejiang Yiqu Culture Development Co., Ltd. (浙江逸趣文化發展有限公司); from August 2018 to present, he has been a supervisor of Hangzhou Yilian Industrial Design Co., Ltd. (杭州易鏈工業設計有限公司); from June 2018 to July 2024, he served as an independent director of Zhejiang Zhongyin Fashion Co., Ltd. (浙江中胤時尚股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300901.SZ).

Mr. Zhang Fan (張帆), aged 46, has served as an independent non-executive Director of our Company since February 2021. Mr. Zhang has been primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

Mr. Zhang worked at the head office of China Construction Bank (中國建設銀行) from 2001 to 2006, serving at the audit department, the restructuring office and the board of director office respectively. From 2010 to 2018, Mr. Zhang worked at CCB International Capital Limited (建銀國際金融有限公司), serving at the investment banking department as a managing director and the head of financial institution business. From 2018 to 2019, Mr. Zhang worked at WeShare Investment Holding Limited (新分享投資控股有限公司) as the chief strategy officer. Mr. Zhang served as a managing director and the head of the institutional business department of Everbright Limited (光大控股) from 2019 to April 2024. Since May 2024, he has been the chief executive officer of WeShare Asset Management Limited (新分享資產管理有限公司). Mr. Zhang is a Certified Public Accountant in the U.S.

Mr. Zhang received his bachelor of management degree in accounting from Sun Yat-sen University (中山大學) in China in June 2001. He obtained his master of business administration degree from Carnegie Mellon University in the U.S. in May 2010.

SUPERVISORS

Mr. He Yingjun (何英俊), aged 50, is the chairperson of our Supervisory Committee. Mr. He was appointed as a Supervisor in November 2022. He is primarily responsible for supervising the finances, the directors and senior management of our Group.

Mr. He is a member of the Chinese Peasant and Labor Party. Mr. He is a graduate student of the Graduate School of Chinese Academy of Sciences (中國科學院), and a leader of the Beijing Economic Development Zone, and has received the IPMP international C-level certification. From April 2001 to April 2005, Mr. He served as the office director of Beijing Kyushu Tong Pharmaceutical Company Limited (北京九州通醫藥有限公司); from May 2005 to July 2007, he served as the deputy general manager of Beijing Junda Hi-Tech Incubator Company Limited (北京均大高科科技孵化器有限公司); from August 2007 to July 2021, he served as the deputy general manager of Yue Kang Pharmaceutical Group Co. (悦康藥業集團股份有限公司); from August 2021 to January 2023, he served as our Vice President. He has been the general manager of JOINN (Beijing) Pharmaceutical Co., Ltd (昭衍(北京)製藥有限公司) since February 2023.

Ms. Li Ye (李葉), aged 43, is an employee Supervisor of our Company. She was re-appointed as a Supervisor in November 2022. She is primarily responsible for supervising the finances, the directors and senior management of our Group.

Ms. Li received her bachelor of arts degree in English language from Northwest Normal University (西北師範大學) in China in June 2006. Ms. Li successively served as an assistant to the chairperson of the Board of the Company, the director of the department of administration, and the manager of the human resources department of the Company since she joined the Company in April 2007. Ms. Li has served as the director of the human resources department of the Company since January 2019.

Ms. Zhao Wenjie (趙文傑), aged 41, was appointed as a Supervisor in November 2022. She is primarily responsible for supervising the finances, the directors and senior management of our Group.

Ms. Zhao holds a bachelor's degree in accounting from Inner Mongolia Finance and Economics College (內蒙古財經學院) in 2006. From 2006 to 2007, Ms. Zhao worked as an expense accountant of Chifeng Mengxin Pharmaceutical Company Limited (赤峰蒙欣藥業有限公司); from January 2008 to July 2010, she worked as a cost accountant of Beijing Lixiang Pharmaceutical Company Limited (北京利祥製藥有限公司). Since August 2010, Ms. Zhao has held the positions of cost accountant, accounting supervisor, deputy finance manager, internal audit supervisor and manager of investment department in Staidson (Beijing) Biopharmaceuticals Co., Ltd. (舒泰神(北京)生物製藥股份有限公司). Ms. Zhao has served as the executive director of Suzhou Qixi Operation Management Co., Ltd. (蘇州七溪運營管理有限公司) since August 2022.

SENIOR MANAGEMENT

Mr. Gao Dapeng (高大鵬), aged 43, is an executive Director, the general manager, the secretary to the Board and a joint company secretary of our Company. For the biography of Mr. Gao, please refer to "– Executive Directors" of this section.

Ms. Sun Yunxia (孫雲霞), aged 57, is an executive Director and a vice general manager of our Company. For the biography of Ms. Sun, please refer to "– Executive Directors" of this section.

Mr. Gu Jingliang (顧靜良), aged 45, is an executive Director, a vice general manager and the head of sales department of our Company. For the biography of Mr. Gu, please refer to "– Executive Directors" of this section.

Ms. Yu Aishui (于愛水), aged 49, is the chief financial officer of our Company. Ms. Yu was appointed as the chief financial officer in July 2019. Her tenure as the chief financial officer of our Company overlapped with that of Mr. Gao Dapeng during the period of July 2019 to March 2020 to ensure a smooth handover of the relevant responsibilities from Mr. Gao to Ms. Yu. Ms. Yu has become the sole chief financial officer of our Company since April 2020. Ms. Yu is primarily responsible for overseeing the overall financial management of our Group.

Prior to joining our Company, Ms. Yu served as the accountant-in-charge at Cargill Fertilizer (Yantai) Co., Ltd. (嘉吉化肥（煙台）有限公司), now known as Mosaic Fertilizers (Yantai) Co., Ltd. (美盛化肥（煙台）有限公司), from February 2000 to March 2002, an investment manager at CITIC Information Technology Investment Co., Ltd. (中信資訊科技投資有限公司) from July 2005 to December 2008, a seconded financial director at Beijing Huaxin New Media Technology Co., Ltd. (北京華信新媒技術有限公司) from June 2008 to January 2012, and the chief financial officer at Crown Bioscience Inc. (Beijing) Co., Ltd. (中美冠科生物技術（北京）有限公司) from February 2012 to April 2019.

Ms. Yu obtained a master's degree in business administration from Renmin University of China (中國人民大學) in July 2005. Ms. Yu has been a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) as a non-practicing certified public accountant since September 2010. Membership of the Institute of Chartered Accountants in England and Wales (ICAEW).

The Board is pleased to present this report of Directors together with the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is a leading non-clinical CRO focused on drug safety assessment. It is also in the process of expanding its offerings to an integrated range of services covering discovery, non-clinical and clinical trial stages in the drug R&D service chain. Founded in 1995, the Company set out as a CRO specialized and excelling in pharmacology and toxicology assessment for innovative drugs in China. Building upon its core competency in drug safety assessment, the Company has been expanding its service offerings with a view to becoming an integrated pharmaceutical R&D service platform capable of providing a comprehensive portfolio of CRO services including non-clinical studies, clinical trial and related services, and research model business. With its project experience and scientific expertise, the Company aims to help its customers reduce R&D costs and risks and improve the overall productivity and efficiency of their global pharmaceutical R&D projects.

There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2024. An analysis of the Group's revenue and operating profit for the year ended 31 December 2024 by principal activities is set out in the section headed "Management Discussion and Analysis" in this report and note 4 to the financial statements.

BUSINESS REVIEW

A review of the Group's business during the year ended 31 December 2024, which includes an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year ended 31 December 2024, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairperson's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this report in accordance with Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The review and discussion form part of this report of Directors.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are set out on pages 102 to 103 of this report.

The Board proposed a profit distribution plan for the year ended 31 December 2024 (the "**2024 Profit Distribution Plan**") as follows: a dividend of RMB0.03 (2023: RMB0.16) per ordinary share to shareholders on the record date for determining the shareholders' entitlement to the 2024 Profit Distribution Plan. Based on the total issued 749,477,334 Shares as of 28 March 2025, 3,303,034 A Shares were repurchased by the Company and ineligible for inclusion in the 2024 Profit Distribution Plan, therefore 746,174,300 Shares are eligible for the 2024 Profit Distribution Plan and the proposed final dividend in an aggregate amount was approximately RMB22,385,229 (2023: RMB119,977,000).

The final dividend proposed after the end of the Reporting Period has not been recognised as a liability or transferred from reserve at the end of the Reporting Period. The 2024 Profit Distribution Plan is subject to, amongst others, the approval by Shareholders at the forthcoming annual general meeting (the "**AGM**"). The above profit distribution is expected to be paid to the eligible Shareholders no later than 31 August 2025.

The cash dividend will be denominated and declared in RMB, and paid in RMB and in HK dollars to A Shareholders and H Shareholders respectively. The actual amount distributed in HK dollars will be calculated based on the average of the middle exchange rate of RMB against HK dollars published on the website of the People's Bank of China for the seven working days prior to and including the date of the AGM.

The Company will withhold and pay PRC enterprise income tax on behalf of non-resident enterprise Shareholders at a tax rate of 10% when the Company distributes annual dividend to non-resident enterprise Shareholders whose names appear on the H Shares register of members. As such, any H Shares registered in the name of non-individual Shareholder, including shares registered in the name of HKSCC Nominees Limited, and other nominees, trustees, or other organizations and groups, shall be deemed to be H Shares held by non-resident enterprise Shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise Shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

The Company will not be required to withhold and pay any individual income tax on behalf of overseas individual Shareholders when the Company distributes the dividend to overseas individual Shareholders whose names appear on the H Share register of members. The Company will not be liable for any claim arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

According to the relevant provisions of the State Administration of Taxation of the PRC, the capitalization of reserve shall not be subject to any tax nor any withholding tax.

Information regarding the book closure period and record date to determine the entitlement to the 2024 Profit Distribution Plan and the detailed tax arrangement will be announced in due course.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the five financial years is set out on page 10 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 12 to the consolidated financial statements in this report.

COMPLIANCE WITH LAWS AND REGULATIONS

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Reporting Period and up to the date of this report, the Group had complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. During the Reporting Period and up to the date of the report, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the Reporting Period of the Company are set out in "Management Discussion and Analysis – II. Financial Review – Subsequent Events After the Reporting Period" in this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection, in particular, the discharge of air, water and solid waste and noise control. During the year ended 31 December 2024, we did not incur any additional costs specifically attributable to environmental compliance.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 of the Listing Rules applicable to the financial year ended 31 December 2024, the Company's environmental, social and governance report will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 34(d) to the financial statements in this report.

RESERVES

Details of the movement in the reserves of the Company during the Reporting Period is set out in note 34(a) to the financial statements on pages 166 to 167 of this report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB822.2 million.

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

On 27 February 2024, at the first extraordinary general meeting of shareholders of 2024, the first A share class meeting of 2024 and the first H share class meeting of 2024 of the Company, the Shareholders have resolved and approved termination of the 2021 Incentive Scheme and repurchase and cancellation of the restricted A shares granted but not yet unlocked.

The Company has applied to open a designated account for share repurchase (account number: B882377509) in Shanghai Branch of China Securities Depository and Clearing Corporation Limited and applied to Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the repurchase and transfer of 411,365 restricted A shares granted to the above incentive participants but not yet released from restricted sale. The repurchase price was RMB42.37 per A share. The repurchase and cancellation of the restricted A shares has completed on 11 July 2024.

On 28 March 2024, the seventh meeting of the fourth session of the Board of Directors of the Company was convened, at which it considered and approved the Resolution on the A Share Repurchase Plan by Way of Centralized Bidding Transactions of JOINN, to repurchase A Shares of the Company at no less than RMB50 million (inclusive) and no more than RMB100 million (inclusive) for the purpose of equity incentive or employee stock ownership plans. As of 2024, the Company has repurchased 2,656,100 A Shares for an aggregate consideration of RMB42,658,273.40 (excluding transaction fees).

The details of the repurchase of the Company's A Shares during the Reporting Period are set out below:

Repurchase month in 2024	Number of repurchase	Highest price per share (RMB)	Lowest price per share (RMB)	Total amount (Excluding transaction fees) (RMB)
May	1,625,600	18.15	15.20	26,708,394.40
June	110,000	14.93	13.35	1,568,749.00
September	367,500	13.53	13.20	4,918,841.00
December	553,000	17.28	16.79	9,462,289.00
Total	2,656,100			42,658,273.40

During the Reporting Period, the Company repurchased 6,174,000 H Shares through trust for an aggregate consideration of HK$55,734,805.00 in accordance with the rules of the Share Incentive Scheme (H Shares).

As of 31 December 2024, no H Shares were held by the Company as treasury shares and 2,689,314 A Shares were held by the Company as treasury shares, which were intended to be used for the purpose of equity incentive or employee stock ownership plan.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares were listed on the Stock Exchange on 26 February 2021 and the over-allotment option described in the Prospectus was partially exercised on 19 March 2021 in respect of an aggregate of 40,800 H Shares, issued and allotted by the Company at HK$151.00 per H Share on 24 March 2021. The Company obtained net proceeds in connection with the global offering and the exercise of the over-allotment option amounted to approximately HK$6,373.6 million (equivalent to approximately RMB5,285.2 million) (after deducting the underwriting commissions and other estimated expenses in connection with the global offering and the exercise of the over-allotment option) (the "**Net Proceeds**").

Having considered reasons as stated in the announcements in relation to the proposed change in use of the Net Proceeds dated 28 April 2022, 30 August 2023 and 20 December 2024, in order to better utilize the financial resources of the Group and to capture favorable investment opportunities, the Board has reviewed the utilization plan of the Net Proceeds and resolved to reallocate part of the Net Proceeds.

For the period from the Listing Date up to 31 December 2024, the Company has used RMB2,747.2 million for the following purposes.

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the proceeds (RMB million)	Amount of net proceeds utilized as at 31 December 2024 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Balance of the unutilized net proceeds after proposed re-allocation (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(A) Expand the capacity of our Suzhou facilities for non-clinical Studies	**16.0**	**845.6**	**57.7**	**57.7**	**-**	**-**	
(i) Renovating our existing laboratory and research model facilities in Suzhou	7.9	417.5	16.0	16.0	–	–	
(ii) constructing the infrastructure of our new facilities in Suzhou	1.7	89.8	36.7	36.7	–	–	
(iii) procurement of cutting-edge equipment and laboratory technologies and investment in the research and development of novel, customized research models	5.5	290.7	5.0	5.0	–	–	
(iv) upgrading our technical and scientific research capabilities with international background at our Suzhou facilities	0.9	47.6	–	–	–	–	
(B) Strengthen our U.S. operations to cater to the rising customer demand for services provided by Biomere	**10.0**	**528.5**	**751.7**	**294.9**	**58.4**	**456.8**	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	401.7	153.4	37.9	248.3	By the end of 2028
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	350.0	141.5	20.5	208.5	By the end of 2028

Use of Proceeds	Approximate percentage of the total amount (%)	Original allocation of the Proceeds (RMB million)	New allocation of the proceeds (RMB million)	Amount of net proceeds utilized as at 31 December 2024 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Balance of the unutilized net proceeds after proposed re-allocation (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds after proposed re-allocation
(C) Further expand our facility network and service capabilities in China	**39.0**	**2,061.3**	**1,264.3**	**233.4**	**40.6**	**1,030.9**	
(i) building the Phase I of our new Guangzhou facilities with a focus on non-GLP and GLP-compliant non-clinical studies in Guangzhou	17.0	898.5	500.0	186.4	34.4	313.6	By the end of 2027
(ii) building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing	17.0	898.5	500.0	11.7	0.2	488.3	By the end of 2028
(iii) enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities	2.6	137.4	137.4	35.3	6.0	102.1	By the end of 2028
(iv) developing cutting-edge laboratory and research model technologies	2.4	126.9	126.9	–	–	126.9	By the end of 2028
(D) Broaden and deepen our integrated CRO service offerings with a particular focus on further expanding our clinical trial and related services	**5.0**	**264.3**	**33.1**	**33.1**	**0.1**	**-**	
(i) hiring approximately 220 experienced clinical trial operation professionals who hold at least a bachelor's degree and who have at least two years of work experience in clinical operations, medicine, quality control, statistical analysis and analysis of clinical samples, with a focus on early-stage clinical trial projects	0.6	31.7	8.4	8.4	0.1	–	
(ii) investing in business development efforts for our growing clinical trial business	0.4	21.2	–	–	–	–	
(iii) procuring new equipment, technologies, systems, databases and infrastructure for use in clinical trials, as well as in the related services such as bioanalytical services, to strengthen our service quality and customer experience	4.0	211.4	24.7	24.7	–	–	
(E) Fund potential acquisitions of suitable (i) CROs focused on non-clinical studies, (ii) CROs focused on clinical trials, and/or (iii) research model production facilities in both China and overseas	**20.0**	**1,057.0**	**2,649.9**	**1,895.7**	**35.7**	**754.2**	**By the end of 2028**
(F) Working capital and general corporate purposes	**10.0**	**528.5**	**528.5**	**232.4**	**-**	**296.1**	

DIRECTORS

The Board currently consists of the following nine Directors:

Executive Directors

Ms. Feng Yuxia (馮宇霞) *(Chairperson of the Board)*
Mr. Gao Dapeng (高大鵬)
Ms. Sun Yunxia (孫雲霞)
Ms. Luo Xi (羅樨)
Mr. Gu Jingliang (顧靜良)

Independent Non-executive Directors

Mr. Zhang Fan (張帆)
Mr. Yang Fuquan (楊福全)
Mr. Yang Changyun (陽昌雲)
Mr. Ying Fangtian (應放天)

Supervisors

Mr. He Yingjun (何英俊)
(Chairperson of the Supervisory Committee)
Ms. Li Ye (李葉)
Ms. Zhao Wenjie (趙文傑)

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and the senior management of the Group as at the date of this report are set out on pages 35 to 40 in the section headed "Biographies of Directors, Supervisors and Senior Management" of this report.

CHANGE OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Saved as disclosed in this report, there are no other changes to the Directors', Supervisors' and senior management's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, pursuant to which each of them has agreed to act as an executive Director for an initial term of three years, subject to re-election as and when required under the Articles of Association, until it is terminated in accordance with the terms and conditions of the service contract.

Each of the independent non-executive Directors has signed a letter of appointment with the Company, pursuant to which each of them has agreed to act as a non-executive Director or an independent non-executive Director (as the case may be) for an initial term of three years, subject to re-election as and when required under the Articles of Association, until it is terminated in accordance with the terms and conditions of the service contract.

Each of our Supervisors has signed a letter of appointment with the Company. Each letter of appointment contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

CONTRACTS WITH SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this report, no contract of significance was entered into between the Company or any of its subsidiaries and the substantial shareholders or any of its subsidiaries during the Reporting Period or subsisted at 31 December 2024 and no contract of significance for the provision of services to the Company or any of its subsidiaries by a substantial shareholder or any of its subsidiaries was entered into during the Reporting Period or subsisted at 31 December 2024.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director/Supervisor or any entity connected with such a Director/Supervisor had a material interest, whether directly or indirectly, subsisted at 31 December 2024 or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies.

The Directors, Supervisors and senior management receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, defined contribution plan and other share-based compensation. The compensation of Directors, Supervisors and senior management is determined based on their responsibilities, qualification, position and seniority. Details of the Directors' and Supervisors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 8 and note 9 to the financial statements on pages 140 to 142 of this report.

For the Reporting Period, no emoluments were paid by the Company to any Director, 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 Supervisors has waived any emoluments for the year ended 31 December 2024.

Except as disclosed in this report, no other payments have been made or are payable, for the year ended 31 December 2024, by our Group to or on behalf of any of the Directors and Supervisors.

The remuneration payable to the senior management of the Company (who are not the Directors and Supervisors) by band during the Reporting Period is shown in the following table:

Band of remuneration	Number of senior management for the year ended 31 December 2024
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
	2

DIRECTORS', SUPERVISORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors, Supervisors and Controlling Shareholders or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

NON-COMPETITION UNDERTAKING

For the purpose of the listing of our A Shares on the Shanghai Stock Exchange in 2017 and in order to avoid any potential competition between Ms. Feng and Mr. Zhou on the one hand and our Company on the other hand, Ms. Feng and Mr. Zhou had provided a non-competition undertaking in favor of our Company on 25 August 2017 (the "**Non-competition Undertaking**"). Each of Ms. Feng and Mr. Zhou has undertaken pursuant to the Non-competition Undertaking that:

(i) neither herself/himself nor any of his/her directly or indirectly controlled companies or entities will engage in any business or operation in competition with the business of our Group;

(ii) in the event that herself/himself or any of their directly or indirectly controlled companies or entities encounter business opportunity that will create direct or indirect competition between their directly or indirectly controlled companies or entities and our Group, they will refer the business opportunity to our Group; and

(iii) if the above Non-competition Undertaking is proven to be untrue or if Ms. Feng or Mr. Zhou fails to comply with the above Non-competition Undertaking, she/he agrees to indemnify our Company for all the direct and indirect losses our Company may suffer as a result of such breach.

As at the date of this report, Ms. Feng and Mr. Zhou confirmed that they have complied and will comply with the Non-competition Undertaking, pursuant to which Ms. Feng and Mr. Zhou have agreed not to compete with the business our Group.

Save as disclosed, no other non-competition agreements or arrangement has been provided by the Controlling Shareholders as at 31 December 2024 or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at 31 December 2024 or at any time during the Reporting Period.

CONVERTIBLE BONDS

During the Reporting Period, the Group did not issue any convertible bonds.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, during the Reporting Period, the Company has not entered into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

LOAN AND GUARANTEE

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the Controlling Shareholders of the Company (if any) or their respective associates.

PRE-IPO SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

The Company adopted the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme.

Summary of Terms

The following is a summary of the principal terms of each of the Pre-IPO Share Option and Restricted Share Award Schemes:

(a) Purpose

The purpose of the Pre-IPO Share Option and Restricted Share Award Schemes is to establish the long-term incentive mechanism of the Company, attract and retain talents, mobilize the enthusiasm of the Directors, senior management and key technical employees of the Company, foster shared interests among the shareholders, the Company and operators, thereby promoting sustained, long-term and healthy growth of the Company.

(b) Type of Awards

The Pre-IPO Share Option and Restricted Share Award Schemes provides for awards of options and RSUs ("**Awards**"), except the 2020 Share Option Scheme does not provide awards of RSUs.

(c) Administration

The Shareholders' meeting is the highest authority of the Pre-IPO Share Option and Restricted Share Award Schemes. The Board is the managing authority of the Pre-IPO Share Option and Restricted Share Award Schemes. The board of Supervisors and independent non-executive Directors are the supervising authorities of the Pre-IPO Share Option and Restricted Share Award Schemes.

(d) Scope of Participants

The Directors, senior management and key technical employees of the Company (excluding independent non-executive Directors, Supervisors, shareholders that hold more than 5% of the Company's shares and the Controlling Shareholder and their spouses, parents, and children).

(e) Source of Shares

The Shares underlying the Pre-IPO Share Option and Restricted Share Award Schemes shall be A Shares issued by the Company to the grantees.

(f) Maximum Number of Shares

The maximum number of shares involved with the Awards to be granted to an eligible employee under all effective Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 1% of the total outstanding share capital of the Company. The total number of shares involved with all effective Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 10% of the total outstanding share capital of the Company.

(g) Term of the Pre-IPO Share Option and Restricted Share Award Schemes

Subject to the termination provisions under the Pre-IPO Share Option and Restricted Share Award Schemes, the Pre-IPO Share Option and Restricted Share Award Schemes shall be valid and effective commencing on the date that the Awards are granted to when such Awards are no long under any lock-ups, fully exercised or cancelled. The term of validity shall not exceed 48 months.

As at the date of this report, the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme have already ended.

(h) *Date of Grant*

The date on which the Awards are granted shall be determined by the Board, subject to approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting, which shall be a trading day. The Awards shall be granted, registered and announced within 60 days after the approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting. Otherwise, the Pre-IPO Share Option and Restricted Share Award Schemes shall be terminated, and the Awards thereunder that have not been granted shall become invalid.

(i) *Lock-up Period and Vesting Period*

The lock-up periods for the Awards underlying the Pre-IPO Share Option and Restricted Share Award Schemes are 12 months, 24 months and 36 months, respectively, commencing from the date the Awards were registered. During the lock-up period, the Awards shall not be transferred, used as guarantee or repayment of debt.

Save for the 2019 Share Option and Restricted Share Award Scheme as described below, the vesting period for the outstanding options and RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes shall be vested in accordance with the vesting periods as follows: (i) 50% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant; (ii) 30% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant; and (iii) as to 20% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant.

For the 2019 Share Option and Restricted Share Award Scheme, if the date of grant was in the year of 2020, the options and RSUs shall be vested in accordance with the vesting periods as follows: (i) 50% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant; and (ii) 50% of the aggregate number of options or RSUs shall vest from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant.

(j) *Grant and Exercise of Awards*

On and subject to certain terms of the Pre-IPO Share Option and Restricted Share Award Schemes, Awards can be granted to or exercised by any eligible employee, i.e., linking the grant and exercise of the Awards to the attainment or performance of milestones by the Company and the grantee. If the performance of the Company, the relevant grantee and other conditions are not fulfilled in the stipulated period, the Awards shall be repurchased or cancelled by the Company.

The term of validity of outstanding options and RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes shall not exceed 48 months. The exercise period of outstanding options and RSUs shall commence from the date on which such options and RSUs are no longer under any lock-ups and shall not exceed the validity period.

(k) Basis of Determining the Exercise Price of the Options and Grant Price of the RSUs

The exercise price of the options under the Pre-IPO Share Option and Restricted Share Award Schemes shall not be lower than the nominal value of the Shares and shall not be lower than the higher of the following: (i) the average trading price of the A Shares for the last trading day preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount for the last trading day/total trading volume for the last trading day); or (ii) the average trading price of the A Shares for the last 20 trading days preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount of the A Shares of for the last 20 trading days/total trading volume of the A Shares of for the last 20 trading days).

The grant price of the RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes shall not be lower than the nominal value of the Shares and shall not be lower than the higher of the following: (i) 50% the average trading price of the A Shares for the last trading day preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount for the last trading day/total trading volume for the last trading day); or (ii) 50% the average trading price of the A Shares for the last 20 trading days preceding the respective date of the announcement of the Pre-IPO Share Option and Restricted Share Award Schemes (total trading amount of the A Shares of for the last 20 trading days/total trading volume of the A Shares of for the last 20 trading days).

(l) Rights and Obligations of the Company

(1) The Company has the right to interpret and implement the Pre-IPO Share Option and Restricted Share Award Schemes, and evaluate the performance of the grantee in accordance with the provisions of the Pre-IPO Share Option and Restricted Share Award Schemes. If the performance of the grantee does not fulfill the conditions under the Pre-IPO Share Option and Restricted Share Award Schemes, the Company will repurchase or cancel the Awards as stipulated by the Pre-IPO Share Option and Restricted Share Award Schemes.

(2) The Company shall not to provide loans or financial assistance in any other forms to the grantee.

(3) The Company shall actively assist the grantee on exercising the Awards in accordance with the relevant provisions under the Pre-IPO Share Option and Restricted Share Award Schemes and relevant regulates of the CSRC, the Shanghai Stock Exchange and China Securities Depository and Clearing Company Limited (中國證券登記結算有限責任公司) ("**CSDC**"). However, if the grantee fails to exercise its Awards for the reasons that are attributable to the Shanghai Stock Exchange or CSDC, the Company shall not be liable for the losses causes to such grantee.

(4) The determination of the grantee under the Pre-IPO Share Option and Restricted Share Award Schemes by the Company does not mean the grantee is entitled to serve the Company, nor does it constitute any commitment to the employment period of the grantee. The employment relationship between the Company and the grantee remains subject to the employment contract signed by the Company and the grantee.

(m) Rights and Obligations of the Grantee

(1) The grantee shall work diligently abide by professional ethics, making contributions to the development of the Company.

(2) The grantee shall lock up its granted Awards in accordance with the provisions of the Pre-IPO Share Option and Restricted Share Award Schemes.

(3) The source of funds of the grantee shall be self-raised funds.

(4) When the Company distributes dividends, the grantee of options and RSUs shall receive dividends in proportion to the underlying A Shares of the options and RSUs respectively.

(5) The grantee of RSUs shall be entitled to voting rights in respect of the underlying A Shares of the RSUs. The grantee of options shall only be entitled to voting rights in respect of the underlying A Shares of the options upon the exercise of such options and grant of the corresponding A Shares to the grantee.

(6) The Awards granted under the Pre-IPO Share Option and Restricted Share Award Schemes shall not be transferred, used as guarantee or repayment of debt.

(7) In the event that the grantee ceases to be an eligible grantee before the granted Awards are fully exercised, the unvested Awards shall be repurchased or cancelled by the Company.

(8) In the event that the grantee ceases to be an eligible grantee due to the false records, misleading statements or material omissions in the disclosed documents by the Company, the grantee shall return all the benefits obtained from the Pre-IPO Share Option and Restricted Share Award Schemes to the Company.

(9) Upon the approval of the Pre-IPO Share Option and Restricted Share Award Schemes by the shareholders' meeting, a written agreement shall be signed by and between the Company and each of the grantee, stipulating respective rights and obligations and other related matters under such Pre-IPO Share Option and Restricted Share Award Schemes.

(10) Other rights and obligations stipulated by relevant laws, regulations and the Pre-IPO Share Option and Restricted Share Award Schemes.

LIST OF GRANTEES UNDER THE PRE-IPO SHARE OPTION AND RESTRICTED SHARE AWARD SCHEMES

As at 1 January 2024 and up till 31 December 2024, there was no outstanding RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes. The following table summarizes the number of underlying A Shares of the outstanding options under the Pre-IPO Share Option and Restricted Share Award Schemes as of 31 December 2024.

Name of Grantee	Position	Exercise Price (RMB/Share)	Date of Grant	Outstanding as at 1 January 2024[(1)]	Granted during the Reporting Period	Exercised during the Reporting Period	Vesting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2024[(2)]
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	47.91	17 July 2020	37,632	0	0	0	37,632	0	0
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	47.91	17 July 2020	11,760	0	0	0	11,760	0	0
Sun Yunxia	Executive Director, Vice General Manager	47.91	17 July 2020	11,760	0	0	0	11,760	0	0
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	47.91	17 July 2020	11,760	0	0	0	11,760	0	0
Subtotal				**72,912**	**0**	**0**	**0**	**72,912**	**0**	**0**
Senior Management										
Yu Aishui	Chief Financial Officer	47.91	17 July 2020	5,880	0	0	0	5,880	0	0
Subtotal				**5,880**	**0**	**0**	**0**	**5,880**	**0**	**0**
Other employees		47.91	17 July 2020	740,096	0	0	0	740,096	0	0
Total				**818,888**	**0**	**0**	**0**	**818,888**	**0**	**0**

Notes:

(1) The options available for grant under the 2020 Share Option Scheme as at 1 January 2024 were 818,888.

(2) The options available for grant under the 2020 Share Option Scheme as at 31 December 2024 were 0.

(3) As at 1 January 2024, 818,888 Shares were available for issue under the 2020 Share Option Scheme, representing 0.1% of issued shares. As at the date of this report, no options were available for issue under the 2018 Share Option and Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme.

(4) At the ninth meeting of the fifth session of the Board of Directors held on 30 August 2024, the Company considered and approved the resolution on cancellation of the remaining third tranche of options (representing 818,888 underlying A Shares) under the 2020 Share Option Scheme. As at the date of this report, the Company has canceled the remaining third tranche of options under the 2020 Share Option Scheme.

POST-IPO RESTRICTED SHARE AWARD SCHEME AND THE STOCK OWNERSHIP PLAN

The Company adopted the 2021 Restricted A Share Incentive Scheme and 2021 A Share Employee Stock Ownership Plan on 19 January 2022 and 2022 A Share Employee Stock Ownership Plan on 18 November 2022.

As at 1 January 2024 and up till 31 December 2024, there is no outstanding restricted shares and A shares under the 2021 Restricted A Share Incentive Scheme, 2021 A Share Employee Stock Ownership Plan and 2022 A Share Employee Stock Ownership Plan. Furthermore, as at the date of this report, the 2021 Restricted A Share Incentive Scheme, 2021 A Share Employee Stock Ownership Plan and 2022 A Share Employee Stock Ownership Plan have already ended.

2022 H SHARES INCENTIVE SCHEME

The Company adopted the 2022 H Shares Incentive Scheme on 24 June 2022.

Summary of Terms

(a) Purpose of the Scheme

The purposes of the 2022 H Shares Incentive Scheme are (i) to attract and retain the core management team, to fully mobilize the enthusiasm of employees, and to promote sustainable business development; (ii) to align the interests of the employees and the Shareholders, and to strengthen the concept and corporate culture of the sustainable development of the Company and individuals; and (iii) to promote the further improvement of the Company's business performance and to jointly achieve the Company's strategic objectives.

(b) Type of Awards

The 2022 H Shares Incentive Scheme provides for awards of H Shares.

(c) Participants of the Scheme

The scope of eligible participants shall include any full-time employee (including Director, Supervisor, senior management, mid-level management, basic-level management, core technical personnel and other technical personnel) of any members of the Group, whether within PRC or not.

(d) Source

The source of 2022 H Shares Incentive Scheme shall be H Shares to be acquired by the Trustee. The Trustee may accept Shares transferred, gifted, assigned, or conveyed to the Trust from any party designated by the Company from time to time in such number as such party designated by the Company may at their sole discretion determine, which shall constitute part of the trust fund.

(e) Maximum Number of Shares

The maximum size of the 2022 H Shares Incentive Scheme shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than RMB600 million (the "**Scheme Limit**").

The Company shall not make any further grant of Award which will result in the aggregate number of H Shares underlying all grants made pursuant to the Share Incentive Scheme (excluding Award Shares that have been lapsed, cancelled, forfeited in accordance with the Share Incentive Scheme) to exceed the Scheme Limit without Shareholders' approval.

There is no maximum entitlement limit for each participant in the 2022 H Shares Incentive Scheme.

(f) Vesting Period

The Board or its delegate(s) may from time to time while the 2022 H Shares Incentive Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Vesting of an award shall be subject to fulfilment of each of the following conditions: (i) fulfilment of all of the vesting criteria and conditions as determined by the Board or its delegated authority at their absolute discretion; (ii) the selected participant shall remain an eligible participant as of the vesting date; and (iii) the selected participant has not been dismissed by any member of the Group, has not been adjudged bankrupt or insolvent, has not been convicted of any offences involving fraud, dishonesty or corruption, and has not been prosecuted or convicted of any offences under SFO or other rules or regulations of similar nature.

(g) Term

Subject to the termination provisions under the 2022 H Shares Incentive Scheme, the term of the 2022 H Shares Incentive Scheme shall be 10 years commencing on the date of adoption, 24 June 2022. The remaining life of the 2022 H Shares Incentive Scheme is around 7 years.

(h) Basis of Determining the Price of the H Shares

There is no purchase price of the H Shares under the 2022 H Shares Incentive Scheme.

LIST OF GRANTEES UNDER THE 2022 H SHARES INCENTIVE SCHEME

During the Reporting Period, no H Shares have been awarded to the eligible participants under the 2022 H Shares Incentive Scheme. During the Reporting Period, the Company has repurchased 6,174,000 H Shares through the Trust at a total consideration of HK$55,734,805, representing 0.82% of the total issued share capital as at the date of this report.

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

As at 31 December 2024, interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of SFO; or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**"), are as follows:

Interests in the Shares of the Company

Name of Director	Title	Nature of Interest	Class of Shares	Number of Underlying Shares held[(2)]	Approximate percentage in the relevant class of Shares[(3)]	Approximate percentage in total Shares[(3)]
Ms. Feng[(1)]	Chairperson of the Board, Executive Director	Beneficial Owner	A Shares	167,160,633 (L)	26.51%	22.30%
		Interest of Spouse	A Shares	74,725,981 (L)	11.85%	9.97%
		Other	A Shares	2,689,314 (L)	0.43%	0.36%
Ms. Sun Yunxia	Executive Director	Beneficial Owner	A Shares	2,698,907 (L)	0.43%	0.36%
Mr. Gao Dapeng	Executive Director, Secretary to the Board, Joint Company Secretary	Beneficial Owner	A Shares	288,746 (L)	0.05%	0.04%

Notes:

(1) Mr. Zhou is the spouse of Ms. Feng. Under the SFO, each of Ms. Feng and Mr. Zhou is deemed to be interested in the A Shares that the other person is interested in. Ms. Feng held 167,160,633 of our A Shares, representing 22.30% of our total issued share capital as of 31 December 2024 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). Mr. Zhou held 74,725,981 of our A Shares, representing 9.97% of our total issued share capital as of 31 December 2024 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes). In addition, Ms. Feng is taken to have interest in 2,689,314 of our A Shares which the Company holds as treasury shares, representing 0.36% of our total issued share capital as of 31 December 2024. Therefore, Ms. Feng and Mr. Zhou are each deemed to be interested in a total of 244,575,928 Shares, representing 32.63% of our total issued share capital as of 31 December 2024 (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

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

(3) As at 31 December 2024, the Company had 749,477,334 issued shares in total, comprised of 630,482,128 A Shares (including 2,689,314 treasury shares of the Company) and 118,995,206 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

Save as disclosed above and in the section headed "Pre-IPO Share Option and Restricted Share Award Schemes", so far as the Directors are aware, as at the date of this report, none of our Directors, Supervisors or chief executives of the Company has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the 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 taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

So far as the Directors or chief executive of the Company are aware, as at 31 December 2024, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of Interest	Class of Shares	Number of Shares interested[1]	Approximate percentage in the relevant class of Shares[2]	Approximate percentage in total Shares[2]
Mr. Zhou	Beneficial owner	A Shares	74,725,981 (L)[3]	11.85%	9.97%
	Interest of spouse	A Shares	167,160,633 (L)[3]	26.51%	22.30%
Futu Trustee Limited	Trustee	H Shares	13,238,580	11.13%	1.77%

Notes:

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

(2) As at 31 December 2024, the Company had 749,477,334 issued shares in total, comprised of 630,482,128 A Shares (including 2,689,314 treasury shares of the Company) and 118,995,206 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the Share Option and Restricted Share Award Schemes).

(3) Please refer to note (1) in the sub-section "Interests in the Shares of the Company" above.

Interests of Substantial Shareholders in Members of the Group (Excluding the Company)

Name of Subsidiaries	Authorized share capital/Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Shikang Frontier Biotechnology Co., Ltd. (北京視康前沿技術有限公司)	RMB1,000,000	Yao Ning (姚寧)	35

Note: As at the date of this report, JOINN Laboratories (Wuxi) Co.,Ltd. has been deregistered and Aurora Bioscience Co., Ltd. has become a wholly-owned subsidiary of the Company.

Except as disclosed in this section, to the best knowledge of the Company, as at 31 December 2024, no person owns interests and short positions in the Shares and underlying Shares which shall be disclosed in accordance with Divisions 2 and 3 of Part XV of the SFO, or interests or short positions in 5% or above of relevant class of Shares that the Company must record in the register according to section 336 of the SFO.

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

None of the Company, its holding company or any of its subsidiaries has entered into any arrangement during the Reporting Period and up to the date of this report, so that the Directors would benefit from the purchase of Shares or debt securities (including debentures) of the Company or any other body corporate.

KEY RELATIONSHIP WITH STAKEHOLDERS

Relationship with Our Customers

Our primary customers consist of pharmaceutical and biotechnology companies, including Chinese and global blue-chip pharmaceutical companies and small-to-medium-sized biotechnology companies. For the year ended 31 December 2024, we served approximately 852 customers. We have also provided services to a growing number of innovative biotechnology companies.

- ***Key Contractual Terms of Customer Services Agreements for Non-Clinical Studies***

We generally enter into service agreements with our customers for our non-clinical studies. Our service agreements typically have a term of two years and set forth rights and obligations of the parties, the scope of services, with detailed terms and provisions governing the reporting and transferring of relevant data and project results, intellectual property rights, pricing and payment terms. Such project-based service agreements set forth project requirements, the project management regime, the project schedule, development steps, pricing and payment terms, intellectual property rights and termination rights, and are legally binding. Our customers typically retain ownership of all intellectual property they provide to us.

We typically bill our customers based on the payment schedule specified and the nature of the services provided in our service contracts and work orders.

We actively monitor the progress of each project and regularly communicate with our customers to mitigate risks of contractual disputes. Specifically, in case of a material cost overrun, we usually engage in good faith negotiations with our customers to increase our fees. During the Reporting Period, there were no material breaches of our service agreements, project-based service contracts or work orders either on our part or the part of our customers, and there was no termination of any material contract. During the Reporting Period, none of our service agreements with our customers was loss-making.

- ***Key Contractual Terms of Research Model Sales Contracts***

We had entered into research model sales contracts with our customers, including third-party academic and research institutions, for sales of our research models.

During the Reporting Period, there were no material breaches in our research model sales contracts either on our part or the part of our customers.

- ***Customer Support***

To facilitate project management and customer communication, we have designated a specific project manager to be in charge of the execution of each project. The project managers are responsible for internal coordination of the different departments involved on each project. They also interact with our customers on a regular basis to handle their inquiries and complaints. During the Reporting Period, we had not experienced any material customer complaints regarding our services or products.

Relationship with Our Suppliers

Our major suppliers are primarily located in China. We have established stable relationships with many of our key suppliers. In light of our comprehensive services offerings, we procure a wide variety of supplies such as general experimental consumables, equipment and research models, primarily rodents and non-human primates, mainly for our laboratories. The general experimental consumables, such as reagents, and equipment are available from various suppliers in quantities adequate to meet our needs. During the Reporting Period, we had not experienced any material difficulty in procuring a sufficient supply of general experimental consumables or equipment.

We procured the majority of our non-human primate research models from quality third-party suppliers during the Reporting Period. As we enter into long-term purchase contracts with some of our suppliers of non-human primate research models, coupled with our bargaining power arising from our large volume of purchase and our long-term relationships with such suppliers, we had been able to obtain a sufficient supply of non-human primate research models at reasonable prices and had not experienced any major shortages that materially and adversely affected our operations during the Reporting Period.

Substantially all of our other research models, primarily consisted of rodent research models, used in our non-clinical studies were purchased from third-party suppliers as required by some of our customers to meet their specifications, as well as to ensure the consistent quality and stable supply of a large amount of research models required for our non-clinical studies in a cost-effective manner. Those research models are generally readily available from various suppliers in China in varieties and quantities adequate to meet our needs for our non-clinical studies.

None of our Directors, their respective associates, or Shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Reporting Period. During the Reporting Period, none of our major suppliers was also our customer.

We select our suppliers based on a variety of factors, including their qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, regularly monitor and review their performance and conduct on-site inspections.

As at the date of this report, we did not have any material disputes with our suppliers or experience any material breach of our supply agreements. We had not experienced any material shortages of our supplies during the Reporting Period. To the best of our knowledge, as at the date of this report, there was no information or arrangement that would lead to termination of our relationships with any of our major suppliers.

Relationship with Our Employees

As at 31 December 2024, we had a total of 2,652 employees most of whom are based in our facilities in China. Our U.S. employees were primarily employed by Biomere which we acquired in late 2019.

In compliance with applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years. We also make contributions to social insurance funds for our Chinese employees in the PRC, including basic pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance funds, and housing provident fund.

We recruit, train and retain talented employees through our talent program which is designed to motivate highly qualified employees to build their own career within our Company. We are committed to continuously enhancing our team's technical expertise, continuing education, project management capabilities and service quality with a comprehensive training system. We believe our dedicated and experienced management team and their industry networks along with a deep talent pool provide us with invaluable assets to our long-term success.

In support of our growth, we regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for our services. We believe that our reputation, work environment, training system, remuneration package and employee share scheme help us attract qualified candidates. We have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols in China.

We require all of our employees to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks.

As at the date of this report, we did not experience any strikes, labor disputes or industrial action which had a material effect on our business, and we consider our relationships with our employees to be good.

Relationship with Our Shareholders

The Company recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Company believes communication with the Shareholders is a two-way process and has thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, interim and annual reports and results announcements.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, the Group's largest customer accounted for 2.87% of the Group's total revenue. The Group's five largest customers accounted for 11.76% of the Group's total revenue.

In the Reporting Period, the Group's largest supplier accounted for 9.46% of the Group's total purchase. The Group's five largest suppliers accounted for 30.39% of the Group's total purchase.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any material interest in any of the Group's five largest suppliers.

During the Reporting Period, the Group did not experience any significant disputes with its customers or suppliers.

INFORMATION ON TAX REDUCTION AND EXEMPTION FOR HOLDERS OF H SHARES

Individual Investors

According to the Notice on the Management of Personal Income Tax Imposed after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) 《國家税務總局關於國税發([1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)), the dividends and bonuses received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld and paid on behalf of the shareholders by the withholding and payment agents. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China and the tax arrangements between mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration management, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends and bonuses, generally withhold and pay individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements stipulating a tax rate of lower than 10%, the withholding and payment agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon review and approval by the tax authorities, the excess tax amounts withheld and paid will be refunded; (2) for citizens from countries which have entered into tax agreements stipulating a tax rate of higher than 10% but lower than 20%, the withholding and payment agents will withhold and pay the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding and payment agents will withhold and pay the individual income tax at a tax rate of 20% when distributing dividends and bonuses.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (Guo Shui Han [2006] No. 884) (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》(國税函[2006]884號)) signed on 21 August 2006, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10% of the total dividend payable, if Hong Kong residents hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% of the total dividend payable by the Chinese company.

Enterprises

According to the Enterprise Income Tax law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though they have established certain organizations and sites but the dividends and bonuses received have actually not correlated to the organizations and sites established, such enterprises shall pay the enterprise income tax at the rate of 10% of its income from the Chinese territory. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

According to the Notice on the Withholding and Payment of Enterprise Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H Share non-resident enterprise shareholders, they shall withhold and pay on behalf of the shareholders the enterprise income tax at the unified rate of 10%. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

Pursuant to the provisions in the Notice on Tax Policies Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses obtained by mainland individual investors from investing in H Shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H Share companies shall withhold individual income tax at the tax rate of 20%. For the dividends and bonuses obtained by mainland securities investment funds from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends and bonuses obtained by mainland enterprise investors from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H Share companies shall not withhold any income taxes on the dividends and bonuses, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends and bonuses obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be paid for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax reduction and exemption pursuant to the above provisions.

EMPLOYEES

The Group had 2,652 employees as at 31 December 2024. Among the 2,652 employees, 2,431 employees are stationed in China and 221 employees are stationed overseas primarily in the U.S. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination. Please refer to note 6(b) to the financial statements for details.

Remuneration of the Group's employees includes bonus and allowance elements. The compensation programs are designed to remunerate the employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies. We provide periodic training to our employees in order to improve their quality, skills and knowledge, including introductory training for new employees, technical training, professional and management training and health and safety training, as well as extensive training to our sales and marketing team. The Group also has in place incentive schemes for its employees, the details of which are set out in the sections headed "Pre-IPO Share Option and Restricted Share Award Schemes" and "Post-IPO Restricted Share Award Scheme and the Stock Ownership Plan".

RETIREMENT CONTRIBUTION SCHEME

The pension schemes in China and the U.S. are defined contribution schemes.

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement contribution schemes to fund the benefits. The only obligation of the Group with respect to this retirement contribution schemes is to make the specified contributions.

The Group's contributions to the central pension scheme vested fully and immediately with the employees. Accordingly, (i) for the year ended 31 December 2024, there was no forfeiture of contributions under the central pension scheme; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the central pension scheme as at 31 December 2024. Please refer to note 6(b) to the financial statements.

For U.S. employees, Biomere ("**Employer**") is helping to make saving for retirement under our 401(k) Plan easier by offering an Employer safe harbor matching contribution. Employee's combined elective contributions and Roth 401(k) contributions are subject to a calendar year limit even though the Plan Year may not be the calendar year. Employer will be matching both employee's pre-tax and/or Roth elective contributions, dollar for dollar, up to 5% of employee's eligible pay. This contribution is called a safe harbor matching contribution. This contribution will be made on behalf of eligible employees. Employer may choose to revoke or suspend the safe harbor contribution during the year. If this occurs, employee will be given 30 days advance notice of the suspension and employee will be given an opportunity to change employee's elective contribution rate.

The Employer confirms that (i) for the year ended 31 December 2024, there was no forfeiture of contributions under the 401(k) plan; and (ii) there were no forfeited contributions available for the Employer to reduce its existing level of contributions to the plan as at 31 December 2024.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 37 to the consolidated financial statements contained herein.

Save as disclosed below, none of these related party transactions as set out in note 37 to the financial statements constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the years ended 31 December 2024 and 2023, the Group did not pay consideration to any third parties for making available directors' services.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Connected Transaction

The Company entered into a partnership agreement (the "**Partnership Agreement**") with Wuxi Guolian Industrial Investment Co., Ltd. (無錫國聯產業投資私募基金管理有限公司), Beijing Giant Capital Investment Management Co., Ltd. (北京宏儒和愉投資管理有限公司), Jiangsu Yuanli Industrial Investment Co., Ltd. (江蘇原力產業投資股份有限公司) and Wuxi Capital Group Co., Ltd. (無錫市創新投資集團有限公司) for the establishment of the Wuxi Jin Yi Fu New Biomedical Venture Capital Partnership (Limited Partnership) (無錫金易賦新生物醫藥創業投資合夥企業（有限合夥）) (the "**Partnership Fund**"). The Company will invest in RMB300 million and be a limited partner of the Partnership Fund.

Beijing Giant Capital Investment Management Co., Ltd. (北京宏儒和愉投資管理有限公司), one of the general partners of the Partnership Fund, is wholly-owned by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭(北京)醫藥科技有限公司), is owned as to 85% in aggregate by Ms. Feng and Mr. Zhou. As Mr. Zhou and Ms. Feng are the controlling shareholders of the Company, the establishment of the Partnership Fund and the entering into of the Partnership Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Partnership Agreement exceed 0.1% but is less than 5%, the transactions contemplated under the Partnership Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

1. The 2024 Beijing Joinn Biologics Leasing Framework Agreements

On 30 August 2024, the Company and Beijing Joinn Biologics Co., Ltd. (北京昭衍生物技術有限公司) ("**Beijing Joinn Biologics**") entered into a leasing framework agreement (the "**Beijing Joinn Biologics Leasing Framework Agreement**"). Pursuant to the Beijing Joinn Biologics Leasing Framework Agreement, Beijing Joinn Biologics and the Group shall enter into separate leasing agreements, for the leasing of certain properties in Beijing, and such agreements will have a term of not more than three years and ending by 31 December 2026. The Group has entered into all the leasing agreements by the end of 2024. The annual rent for the leasing agreements entered into with the Group is RMB 0.6 million (for the period from 2024.9.1 to 2024.12.31); RMB7.4 million (for the period from 2025.1.1 to 2025.12.31) and RMB7.4 million (for the period from 2026.1.1 to 2026.12.31). The rent for all the above leasing agreements is payable quarterly. Further, JOINN Medical Testing Laboratories (Beijing) Co., Ltd. (昭衍(北京)檢測技術有限公司)* ("**JOINN Medical Testing**") and JOINN Drug Quality Research and Testing (Beijing) Co., Ltd. (北京昭衍藥物檢定研究有限公司)* ("**JOINN Drug Quality Research**") (both subsidiaries of the Company) have re-entered into two leasing agreements with Beijing Joinn Biologics under the 2023 Beijing Joinn Biologics Leasing Agreements with an annual rent of approximately RMB 1.2 million (for the period from 2024.7.1 to 2024.12.31); RMB4.7 million (for the period from 2025.1.1 to 2025.12.31) and RMB3.1 million (for the period from 2026.1.1 to 2026.8.31).

Pursuant to HKFRS 16, the Group is required to recognise leased properties with a term of more than one year as a right-of-use asset. Therefore, the leases entered into with Beijing JOINN Biologics in 2024 will be deemed as an asset acquisition by the Group under the Listing Rules. The right-of-use assets in relation to the leasing agreements entered into by the Group with Beijing JOINN Biologics in 2024 were RMB21.6 million for the year ended 31 December 2024.

Beijing Joinn Biologics is a company incorporated in the PRC with limited liability. Beijing Joinn Biologics is held as to 91.07% and 8.93% by Joinn Biologics (HK) and the Company, respectively. Joinn Biologics (HK) is a wholly-owned subsidiary of Joinn Biologic Inc, and Joinn Biologic Inc is a subsidiary of Joinn Biologic Holdings Ltd. As at the date of this report, Joinn Biologics Holdings Ltd. was held as to 55% by Mr. Zhou, 26% by Ms. Feng and 19% by Mr. Zhou Fengyuan and Ms. Zhou Fengyi collectively via other intermediary holding companies. Ms. Zhou Fengyi and Mr. Zhou Fengyuan are the children of Ms. Feng and Mr. Zhou. Therefore, Ms. Feng and Mr. Zhou are the Controlling Shareholders of Joinn Biologic Inc and the Company, as well as the controlling shareholders of Beijing Joinn Biologics. Therefore, Beijing Joinn Biologics is an associate of the controlling shareholders of the Company and is therefore connected person of the Company.

As the highest applicable percentage ratios of the total value of the right-of-use asset under the 2024 Beijing Joinn Biologics Leasing Framework Agreement exceeds 0.1% but less than 5%, the continuing connected transactions contemplated under the 2024 Beijing JOINN Biologics Leasing Framework Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. *2024 Staidson Research and Development Service Framework Agreement*

On 5 February 2024, the Company entered into a research and development service framework agreement (the "**2024 Staidson Research and Development Service Framework Agreement**") with Staidson, pursuant to which the Company agreed to provide a comprehensive range of pharmaceutical research and development services covering non-clinical and clinical trial stages, as well as pharmacovigilance services, to Staidson Group. The 2024 Staidson Research and Development Service Framework Agreement commenced on 1 January 2024 and ended on 31 December 2024.

The service fees to be charged by the Group for the provision of the Staidson Services shall be determined by the parties after arm's length negotiations with reference to (i) the cost incurred in connection with the drug research and development services; (ii) the nature, complexity and value of the drug research and development services to be provided at various stages; (iii) the prices charged for previous transactions of a similar kind; and (iv) the prevailing market price of similar services provided by the Company to independent third-party customers. The price to be charged by the Group for the provision of drug research and development services to Staidson will be in line with the then market rates and not more favorable than what the Company offers to other independent third-party customers.

Actual transaction amount of the continuing connected transactions for the year ended 31 December 2024 was RMB22.0 million. The annual cap for the year ended 31 December 2024 is RMB75.0 million and for the year ending 31 December 2025 is RMB50.0 million.

Staidson, the parent company of the Staidson Group, is a joint stock limited company incorporated in the PRC on 16 August 2002 and listed on the Shenzhen Stock Exchange (stock code: 300204). Staidson is held as to 36.11% by Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭（北京）醫藥科技有限公司) (which is held as to 85% in aggregate by Ms. Feng and Mr. Zhou), 1.96% by Mr. Zhou through Huatai Securities Asset Management – China Merchants Bank – Huatai – Juli Collective Asset Management Scheme No. 16 (華泰證券資管－招商銀行－華泰聚力16號集合資產管理計劃), and 1.11% by Mr. Zhou directly. Therefore, Staidson is a connected person of the Company and the transaction contemplated under the 2024 Staidson Research and Development Service Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the highest annual cap for Staidson Research and Development Service Framework Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Staidson Research and Development Service Framework Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 5 February 2024.

The parties have further entered into a framework agreement with regards to the same nature transactions dated 20 December 2024 for the transactions to be entered in 2025. For details, please refer to the announcement made by the Company on 20 December 2024.

3. *2024 Shengtong Software Technology Development Service Framework Agreement*

On 5 February 2024, the Company entered into a software technology development service framework agreement (the "**2024 Shengtong Software Technology Development Service Framework Agreement**") with ST N Technologies Co., Ltd (formerly translated as Shengtong Technology (Beijing) Co., Ltd. and BioAI Technology, Co., Ltd.) (生仝智能科技（北京）有限公司) ("**ST**"), pursuant to which ST shall provide ophthalmic technology software development services to the Group. The 2024 Shengtong Software Technology Development Service Framework Agreement commenced on 1 January 2024 and ended on 31 December 2024.

The service fees to be charged for the provision of the services by ST shall be determined by the parties after arm's length negotiation with reference to: (i) the scale of the projects to be provided by ST; (ii) the cost for provision of the ST Services; (iii) the average profit margin charged by other suppliers for provision of similar services in the market. The price to be charged by the ST Group for the provision of the ST Services to the Group will be calculated with reference to the cost for provision of the ST Services and a profit margin determined with reference to the average profit margin charged by other suppliers for provision of similar services in the market. The calculation of the price for the provision of the ST Services will be in line with the market practice and not more favorable than those paid by the Company to other independent third-party suppliers.

Actual transaction amount of the continuing connected transactions for the year ended 31 December 2024 was nil. The annual cap for the year ended 31 December 2024 is RMB7.0 million.

ST is a company established in the PRC with limited liability and is owned as to approximately 95.13% directly and indirectly through ST Research Technologies Limited (a limited liability company incorporated in Hong Kong and controlled by Mr. Zhou Fengyuan, the son of Ms. Feng) by Mr. Zhou Fengyuan. Therefore, ST is a connected person of the Company and the transaction contemplated under the 2024 Shengtong Software Technology Development Service Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The relevant highest applicable percentage ratio still exceeds 0.1% but less than 5%. Therefore, the continuing connected transactions contemplated under the 2024 Shengtong Software Technology Development Service Framework Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. *BioAI Service Framework Agreement*

On 30 August 2024, the Company entered into a service framework agreement (the "**2024 BioAI Service Framework Agreement**") with ST, pursuant to which ST and its subsidiaries shall provide information automation software development and pathology-related service to the Group. The 2024 BioAI Service Framework Agreement commenced on 1 September 2024 and ending on the year ended 31 December 2025.

ST will provide services to the Company on a project basis and the Company will enter into separate agreements with ST for each project. The service fees to be charged for the provision of the ST Services shall be determined by the parties after arm's length negotiation with reference to: (i) the scale of the projects to be provided by ST; (ii) the cost for provision of the ST Services; and (iii) the average profit margin charged by other suppliers for provision of similar services in the market. The profit margin charged by ST varies according to the features, complexity, length and value of each project, but it will generally be in a range of approximately 10% to 30%. The above profit margins were determined with reference to: (i) the net profit margin of approximately 10 suppliers providing similar services listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as disclosed in their annual reports; and (ii) quotations for similar projects provided to the Company by approximately one to three independent third-party vendors.

Actual transaction amount of the continuing connected transactions for the year ended 31 December 2024 was RMB9.0 million. The annual cap for the year ended 31 December 2024 is RMB17 million and for the year ending 31 December 2025 is RMB21 million.

ST is a company established in the PRC with limited liability and is owned as to approximately 81.57% directly and indirectly through ST Research Technologies Limited (a limited liability company incorporated in Hong Kong and controlled by Mr. Zhou Fengyuan, the son of Ms. Feng). Therefore, ST is a connected person of the Company and the transaction contemplated under the 2024 BioAI Service Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The relevant highest applicable percentage ratio still exceeds 0.1% but less than 5%. Therefore, the continuing connected transactions contemplated under the 2024 BioAI Service Framework Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent non-Executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions were:

- entered into in the ordinary and usual course of business of the Group;
- conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unmodified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code in Appendix C1 to the Listing Rules.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor the Company's corporate governance code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 71 to 94 of this report.

DONATIONS

During the Reporting Period, the Company made donations of RMB0.07 million.

AUDITOR

The H Shares were listed on the Hong Kong Stock Exchange on 26 February 2021, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by KPMG, certified public accountants, who are proposed for reappointment at the forthcoming AGM of 2024.

On behalf of the Board
Ms. Feng Yuxia
Chairperson of the Board

Hong Kong, 28 March 2025

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2024.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that interests of the Shareholders will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates, will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code contained in Part 2 of Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the year ended 31 December 2024, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Having made specific enquiry by the Company, all Directors, Supervisors and members of senior management of the Group have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2024. The Company continues and will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess unpublished price-sensitive information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2024.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing duties that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Board Composition

The Board currently comprises 9 Directors, consisting of 5 executive Directors and 4 independent non-executive Directors as follows:

Executive Directors:

Ms. Feng Yuxia (馮宇霞) *(Chairperson of the Board)*
Mr. Zuo Conglin (左從林) (resigned on 20 December 2024)
Mr. Gao Dapeng (高大鵬)
Ms. Sun Yunxia (孫雲霞)
Mr. Gu Jingliang (顧靜良) (appointed on 23 January 2025)[(1)]
Ms. Luo Xi (羅樨) (appointed on 23 January 2025)[(2)]
Dr. Yao Dalin (姚大林) (resigned on 30 October 2024)

Independent non-executive Directors:

Mr. Zhang Fan (張帆)
Mr. Yang Fuquan (楊福全) (appointed on 23 January 2025)[(3)]
Mr. Yang Changyun (陽昌雲) (appointed on 23 January 2025)[(4)]
Mr. Ying Fangtian (應放天) (appointed on 23 January 2025)[(5)]
Mr. Sun Mingcheng (孫明成) (resigned on 23 January 2025)
Dr. Zhai Yonggong (翟永功) (resigned on 23 January 2025)
Mr. Ou Xiaojie (歐小傑) (resigned on 23 January 2025)

Notes:

(1) Mr. Gu Jingliang obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 23 January 2025, and he confirmed that he understood his obligations as a director of the Company.

(2) Ms. Luo Xi obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 23 January 2025, and she confirmed that she understood her obligations as a director of the Company.

(3) Mr. Yang Fuquan obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 23 January 2025, and he confirmed that he understood his obligations as a director of the Company.

(4) Mr. Yang Changyun obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 23 January 2025, and he confirmed that he understood his obligations as a director of the Company.

(5) Mr. Ying Fangtian obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 23 January 2025, and he confirmed that he understood his obligations as a director of the Company.

The biographical information of the Directors is set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for the relationships between the Directors set out in the respective Director's biography under the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report, the Directors do not have financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual.

The Chairperson of the Board is Ms. Feng Yuxia, who provides leadership and is responsible for the effective functioning and leadership of the Board. The Company does not maintain the office of chief executive officer. Instead, the general manager, Mr. Gao Dapeng, is responsible for the day-to-day management of the Company. The division of responsibilities between the Chairperson of the Board and the general manager has been clearly established.

Independent non-executive Directors

During the year ended 31 December 2024, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets forth the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively to exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2024, all Directors have completed the independence evaluation individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

The independent non-executive Directors are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association.

According to the Articles of Association, Directors shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office. Without violating the relevant laws, regulations and regulatory rules of the locality where the Company's shares are listed, a person newly appointed as director by the Board to fill a casual vacancy or as an addition to the existing Board shall serve until the first shareholders' general meeting of the Company after his/her appointment and the said person is eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

The management of our Company is responsible for daily management, administration and operation of the Group. It oversees the production, operation and management of our Company, organising and implementing the resolutions of the Board and other duties specified in the Articles of Association. The Board shall discuss the authorization function and duty periodically. Management shall obtain approval from the Board before any significant transaction is entered into.

Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The management has provided sufficient explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report of this annual report.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Accordingly, pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2024, the Company organized training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance, business and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates, seminar handouts have been provided to the Directors for their reference and studying.

The Directors are required to provide the Company with details of continuous professional development training undertaken by them from time to time and the training records are maintained by the Company Secretary. The training records of the Directors during the year ended 31 December 2024 received are summarized as follows:–

Directors	**Type of Training**(Note)
Executive Directors	
Ms. Feng Yuxia	A/B
Mr. Zuo Conglin (resigned on 20 December 2024)	A/B
Mr. Gao Dapeng	A/B
Ms. Sun Yunxia	A/B
Dr. Yao Dalin (resigned on 30 October 2024)	A/B
Independent non-executive directors	
Mr. Zhang Fan	A/B
Mr. Sun Mingcheng (resigned on 23 January 2025)	A/B
Dr. Zhai Yonggong (resigned on 23 January 2025)	A/B
Mr. Ou Xiaojie (resigned on 23 January 2025)	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to briefing, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group throughout their tenure during the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public companies and major appointments as well as update the Company on any subsequent changes.

BOARD COMMITTEES

The Board has established 4 committees, namely, the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategic Development Committee, for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yang Changyun (appointed on 23 January 2025), Mr. Yang Fuquan (appointed on 23 January 2025) and Mr. Zhang Fan. Mr. Yang Changyun is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Audit Committee include but are not limited to:

- supervising and evaluating the work of external auditors;
- guiding the internal audit work;
- reviewing and issuing opinions on the financial reports of the Company;
- evaluating the effectiveness of internal control;
- facilitating communications among the management, the internal audit department and relevant departments of the Company and external auditors;
- reviewing, monitoring, evaluating, managing and approving significant sustainability matters; and
- other matters authorized by the Board of Directors and other matters prescribed in relevant laws and regulations.

The Audit Committee held 4 meetings to review, in respect of the year ended 31 December 2024, the quarterly, interim and annual financial results and reports and significant issues on the operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members".

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of one executive Director, namely Ms. Sun Yunxia, and two independent non-executive Directors, namely Mr. Ying Fangtian (appointed on 23 January 2025) and Mr. Yang Changyun (appointed on 23 January 2025). Mr. Ying Fangtian is the chairperson of the Remuneration and Evaluation Committee.

The terms of reference of the Remuneration and Evaluation Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Remuneration and Evaluation Committee include but are not limited to:

- formulating remuneration plans or schemes based on the main scope, responsibilities and importance of the management positions of the Directors and senior management, and the remuneration levels of similar positions in other enterprises; the remuneration plans or schemes mainly include but not limited to performance evaluation criteria and procedures, the main evaluation system, and the principal plan and system regarding incentive and penalty;

- reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board;

- making recommendations to the Board on the overall performance evaluation and remuneration policy and structure of the Company's Directors and senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy;

- determining with delegated responsibility of the Board, the remuneration packages of individual executive Directors and senior management or making recommendations to the Board for the remuneration package of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

- making recommendations to the Board on the remuneration of non-executive Directors;

- considering the remuneration package, time commitment, scope of responsibility of similar companies and employment terms of other positions within the Group;

- reviewing and approving the compensation due to executive Directors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is fair, reasonable and not excessive;

- reviewing and approving compensation arrangements relating to the dismissal or removal of Directors for misconduct, so as to ensure that such arrangements are consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is reasonable and appropriate;

- ensuring that no Director or any of his/her associates is involved in the determination of his/her remuneration;

- reviewing the performance of duties by the Directors (non-independent directors) and senior management of the Company and conducting the annual performance evaluation on them;

- supervising the implementation of the Company's remuneration and evaluation system
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, including any grants of options or awards to directors or senior management, and to make disclosure and give explanation on the appropriateness to such material matters (if any) being approved in the corporate governance report; and
- other matters as authorized by the Board.

The Remuneration and Evaluation Committee held 1 meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters during the year ended 31 December 2024.

The attendance records of the Remuneration and Evaluation Committee are set out under the paragraph headed "Attendance Records of Directors and Committee Members".

Details of the remuneration of the Directors and Supervisors are set out in note 8 and note 9 in the Notes to the Financial Statements for the year ended 31 December 2024.

Details of the remuneration of the senior management (who are not the Directors and Supervisors) by band during the year ended 31 December 2024 are set out in the Report of Directors on page 49.

Nomination Committee

The Nomination Committee consists of one executive Director, namely Ms. Feng Yuxia, and two independent non-executive Directors, namely Mr. Yang Fuquan (appointed on 23 January 2025 and Mr. Ying Fangtian (appointed on 23 January 2025)). Mr. Yang Fuquan is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The main duties of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year and making recommendations to the Board on the size and composition of the Board based on the Company's operating activities, asset size and equity structure; when considering the composition of the members of the Board, ensuring the balance between executive and non-executive Directors (including independent directors) and considering from multiple aspects of the diversity of the members of the Board, including but not limited to their gender, age, cultural and educational background and professional experience; and formulating and reviewing the Board Diversity Policy;
- studying the selection criteria and procedures for Directors and managers and making recommendations to the Board;
- extensively identifying candidates who are qualified to act as Directors and managers, and selecting and nominating relevant persons to act as Directors or offering advice to the Board in this regard;
- examining and making recommendations in relation to the candidates for the roles of Directors (including independent non-executive Directors) and managers;

- examining and making recommendations in relation to other senior management who shall be reported to the Board for appointment;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular, the chairman) and the general manager;
- evaluating the independence of the independent non-executive Directors; and
- other matters as authorized by the Board.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and made recommendations to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held 2 meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to review the Board Diversity Policy and Director Nomination Policy and to consider and recommend to the Board on the appointment of executive Directors and independent non-executive Directors during the year ended 31 December 2024. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board was maintained and had not set any measurable objective implementing the Board Diversity Policy.

The attendance records of the Nomination Committee are set out under the paragraph headed "Attendance Records of Directors and Committee Members".

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and considers the enhancement of diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and where appropriate, makes recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

An analysis of the Board's current composition is set out below:

Gender
Male: 6
Female: 3

Designation
Executive Directors: 5
Independent Non-executive Directors: 4

Nationality
Chinese: 9

Age Group
41-50: 4
51-60: 4
61-70: 1

Educational Background
Accounting & Finance: 3
Other: 6

Business Experience
Account and Finance: 3
Business Administration: 1
Experience related to the Company's business: 5

The Nomination Committee and the Board considered that the current composition of the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	33.3% (3)	66.7% (6)
Senior Management	50% (2)	50% (2)*
Other employees	65.9% (1,742)	34.1% (903)
Overall workforce (excluding independent non-executive Directors)	65.9% (1,747)	34.1% (905)

* These senior management members are also executive Directors

The Board targets to achieve and has achieved at least 1 female Director and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found on page 25 of the Environmental, Social and Governance Report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process in relation to nomination and appointment of Directors of the Company and the Board succession planning considerations and aims to ensure that the members of the Board have skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 December 2024, the Nomination Committee recommended to the Board the appointment of two new executive Directors, namely Mr. Gu Jingliang and Ms. Luo Xi and three new independent non-executive Directors, namely Mr. Yang Fuquan, Mr. Yang Changyun and Mr. Ying Fangtian. The appointments were subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Strategic Development Committee

The Strategic Development Committee consists of three executive Directors, namely Ms. Feng Yuxia, Ms. Luo Xi (appointed on 23 January 2025) and Ms. Sun Yunxia, and one independent non-executive Director, namely Mr. Ying Fangtian (appointed on 23 January 2025). Ms Feng Yuxia is the chairperson of the Strategic Development Committee.

The terms of reference of the Strategic Development Committee are in compliance with the relevant laws and regulations of the PRC.

The main duties of the Strategic Development Committee include but are not limited to:

- researching and making recommendations on the long-term development strategic plans of the Company;
- researching and making recommendations on major investment and financing schemes which require the approval of the Board as stipulated in the Articles of Association or authorized at the general meeting;
- researching and making recommendations on major capital operations and asset operation projects which require the approval of the Board as stipulated in the Articles of Association or authorized at the general meeting;
- researching and making recommendations on other major issues affecting the development of the Company;
- checking the implementation of the above matters; and
- dealing with other matters authorized by the Board.

The Strategic Development Committee held 3 meetings during the year ended 31 December 2024.

The attendance records of the Strategic Development Committee are set out under "Attendance Records of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 December 2024, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

Pursuant to code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Company had held 6 Board meetings during the year ended 31 December 2024.

The attendance record of each Director during their tenure of office at the Board meetings, the Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2024 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	Board	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee	Strategic Development Committee	Annual General Meeting	Other General Meeting
Ms. Feng Yuxia	6/6	N/A	N/A	2/2	3/3	1/1	1/1
Mr. Zuo Conglin	6/6	N/A	1/1	N/A	3/3	1/1	1/1
Mr. Gao Dapeng	6/6	N/A	N/A	N/A	N/A	1/1	1/1
Ms. Sun Yunxia	6/6	N/A	N/A	N/A	3/3	1/1	1/1
Dr. Yao Dalin	6/6	N/A	N/A	N/A	N/A	0/1	1/1
Mr. Sun Mingcheng	6/6	4/4	1/1	N/A	N/A	1/1	1/1
Dr. Zhai Yonggong	6/6	4/4	N/A	2/2	N/A	1/1	1/1
Mr. Ou Xiaojie	6/6	N/A	1/1	2/2	3/3	1/1	1/1
Mr. Zhang Fan	6/6	4/4	N/A	N/A	N/A	1/1	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2024.

The independent non-executive Directors have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

1. Risk Management

Details of the risk management of the Company are set out in "Management Discussion and Analysis – IV. Risk Management" of this annual report.

2. Establishment of the Internal Control System

The Board has established the internal control system, and monitored and reviewed on an annual basis in compliance with Paragraph D.2 of the CG Code. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such system is designed to manage rather to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

3. Main Features of the Internal Control System and Process Used to Review the Effectiveness of the Internal Control System and Rectify Defects

Below is a summary of the internal control policies, measures and procedures our Company has implemented:

- Financial reporting risk management – the Company maintain a set of accounting policies in connection with its financial reporting risk management, such as financial reporting management policies, budget management policies, wealth management products investment policies, financial statements preparation policies and finance department and staff management policies. The Company has various procedures and IT systems to implement its accounting policies, and its finance department reviews its management accounts accordingly.

- Human resource risk management – the Company has set a number of standard operation procedures for human resource management in China and overseas, including the recruiting management policy, personnel records management policy, probation and employment policy, labor contract management policy, social insurance and housing provident fund management policy, training management policy, termination and resignation management policy, and attendance and vacation management policy. These procedures aim to mitigate the Company's risks in insufficient recruitment, staff attrition, non-compliance with labor regulations, employee information management and others.

- The Board has delegated the Audit Committee chaired by Mr. Yang Changyun (appointed on 23 January 2025), with the responsibility to oversee the risk management and internal control systems of the Company on an on-going basis and to review the effectiveness of the systems annually in compliance with Paragraph D.2 of the CG Code. The review covers all material controls, including financial, operational and compliance controls. The duties of the Audit Committee shall include: (i) to supervise and evaluate the work of external auditors; (ii) to guide the internal audit work; (iii) to review and issue opinions on the financial reports of the Company; (iv) to evaluate the effectiveness of internal control; (v) to facilitate communications among the management, the internal audit department and relevant departments of the Company and external auditors; (vi) to review, monitor, evaluate, manage and approve significant sustainability matters; and (vii) other matters authorized by the Board and other matters prescribed in relevant laws and regulations.

- Our Directors, who are responsible for monitoring the corporate governance of our Group, with assistance from our legal advisors, periodically reviews our compliance status with all relevant laws and regulations during the year ended 31 December 2024.

- The Company has engaged an internal control consultant to issue a long form report in connection with the internal control over financial reporting of the Company and its major operating subsidiaries and to report factual findings on the Company's entity-level controls and internal controls of various processes, including environment control, risk assessment, control activities, information and communication, monitoring activities, sales and receivables management, purchases and payment management, inventory management, production management, R&D management, human resources and remuneration management, treasury management, fixed assets and intangible asset management, reporting and disclosure, tax, insurance, contract management and information system management.

- The Company will consult its PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to increase compliance awareness and to keep it abreast of relevant regulatory developments.

- The Company has implemented a policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC laws and regulations.

- The Company has put a policy in place pursuant to which the Controlling Shareholders (i) shall support the Company's business and operations, and shall not compete with the Company in terms of business scope and nature, target customers and alternative products; (ii) shall support the Company's independent decision-making regarding its business and operations, internal management, outbound investment and external guarantees; and (iii) shall not take for themselves any business opportunity that could benefit the Company by leveraging their controlling position.

- Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Company's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements. During the year ended 31 December 2024, major works performed by the management in relation to risk management and internal control included the following:

    - each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group performance; assessing and evaluating the identified risks according to their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

    - the management, together with the finance department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;

- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. were in place.

4. Procedures and Internal Controls for Processing and Releasing Inside Information

With approval from the Board and pursuant to the requirements of domestic and foreign laws and regulations, Listing Rules and Articles of Association as well as the practical conditions of our Company, our Company has formulated a policy on information disclosure management to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this system, our Company must, as soon as any inside information comes to its knowledge or a false market may be established, disclose the information to the public to the reasonable and practicable extent.

During the year ended 31 December 2024, our Company has truthfully, accurately, legally and timely disclosed information in strict compliance with the requirements of domestic and foreign laws and regulations, the Listing Rules, the Articles of Association and the policy on information disclosure management of our Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information fairly, timely and effectively.

5. Appraisal of Internal Control

The Board and the management of our Company are jointly responsible for the establishment, the effective implementation and improvement of a sound internal control system. The objectives of internal control of our Company are: guaranteeing the legality of operations of our Company and the execution of internal regulatory system, protecting against operational risk and moral risk, securing the safety and completeness of the assets of the clients and our Company, ensuring the reliability, completeness and timeliness of the business records, financial information and other information of our Company and improving the operational efficiency and effectiveness of our Company.

As internal control has inherent restrictions, we can only reasonably guarantee that the above objectives may be achieved. Furthermore, the effectiveness of internal control may also change according to our Company's internal and external environment and operating conditions. Our Company has set up an inspection and supervision mechanism through which our Company can take measures to rectify deficiencies in the internal control once identified.

During the year ended 31 December 2024, the Group was not aware of any material defect in internal control. The Board is of the view that the Group has established an effective internal control system, which achieves our objectives of internal control and is free of material defect and significant defect.

6. Review of Risk Management and Internal Control System

During the year ended 31 December 2024, the Board conducted a comprehensive review of the Group's risk management and internal control systems through the Audit Committee. The period covers the fiscal year 2024 and covers the main business of the Company. The Board considers that the Group has complied with the risk management and internal control provisions set out in the CG Code and considers that the risk management and internal control system are effective and adequate.

AUDITORS' REMUNERATION

KPMG (畢馬威會計師事務所) and KPMG Huazhen LLP (畢馬威華振會計師事務所（特殊普通合夥）) were engaged as the international financial report and PRC financial report auditors of the Company respectively for the year ended 31 December 2024.

Breakdown of the remuneration to the Company's external auditors for providing audit and non-audit services for the Reporting Period is as follows:

RMB3.0 million was charged for the audit of the Group's consolidated financial statements for the year ended 31 December 2024, and RMB0.3 million was charged for the rendering of non-assurance and other assurance services including 2024 ESG services and tax services to the Group.

JOINT COMPANY SECRETARIES

Mr. Gao Dapeng, an executive Director, the general manager, the secretary to the Board and a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable laws of Hong Kong, the Company also engaged Ms. Cheung Ka Lun Karen, a manager of Tricor Services Limited (a company secretarial service provider), as the other joint company secretary to assist Mr. Gao Dapeng to discharge his duties as company secretary of the Company. Mr. Jia Fengsong, the Securities Affairs Representative, has been designated as the primary contact person at the Company which would work and communicate with Ms. Cheung Ka Lun Karen on the Company's corporate governance and secretarial and administrative matters. As the joint company secretaries of the Company, Mr. Gao Dapeng and Ms. Cheung Ka Lun Karen have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rule for the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

Convening Shareholders' General Meetings

An annual general meeting is required to be held once every year within six months after the end of the previous fiscal year.

Pursuant to Article 72 of the Articles of Association, independent Directors have the right to propose to the Board to convene an extraordinary general meeting of Shareholders. Independent Directors shall obtain at least 1/2 of all independent Directors' consent when exercising the above-mentioned powers.

For independent Directors' proposal to convene an extraordinary general meeting, the Board shall, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of this Articles of Association, propose to agree or disagree to convene an extraordinary general meeting within 10 days after receiving the proposal in a written form.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the resolution of the Board is made; if the Board does not agree, it shall explain the reasons and make an announcement.

Pursuant to Article 73 of the Articles of Association, the board of Supervisors has the right to propose in writing to the Board to convene an extraordinary general meeting of Shareholders. The Board shall, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of this Articles of Association, provide written feedback on whether or not it agrees to convene an extraordinary general meeting within 10 days after receiving the proposal.

If the Board agrees to convene an extraordinary general meeting of Shareholders, a notice of convening the general meeting of Shareholders shall be issued within 5 days after the resolution of the Board is made. Any changes to the original proposal in the notice shall be approved by the board of Supervisors.

If the Board does not agree, or fails to provide feedback within 10 days after receiving the proposal, it is deemed that the Board cannot perform or fails to perform its duties of convening the general meeting of Shareholders, and the board of Supervisors may convene and preside over it by itself.

Pursuant to Article 74 of the Articles of Association, Shareholders who individually or collectively hold more than 10% of the voting Shares at the proposed meeting have the right to request in writing the Board to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting, in which they should also list the topic of the meeting. The Board shall, in accordance with the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of this Articles of Association, provide written feedback on whether or not to agree to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting within 10 days after receiving the written request.

If the Board agrees to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting, it shall issue a notice of convening within 5 days after the resolution of the Board is made. Any changes to the original request in the notice shall obtain the approval of the relevant Shareholders.

If the Board does not agree, or fails to provide feedback within 10 days after receiving the request, Shareholders who individually or collectively hold more than 10% of the voting Shares at the proposed meeting shall have the right to propose to the board of Supervisors, in writing, to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting.

If the board of Supervisors agrees to convene an extraordinary general meeting of Shareholders or a class Shareholders' meeting, it shall issue a notice of convening within 5 days of receiving the request. Changes to the original proposal in the notice shall obtain the approval of the relevant Shareholders.

If the board of Supervisors fails to issue a notice of a general meeting of Shareholders or a class Shareholders' meeting within the prescribed time limit, it shall be deemed that the board of Supervisors does not convene and preside over the general meeting of Shareholders or class Shareholders' meeting, and Shareholders holding individually or collectively more than 10% of the Shares that have voting rights at the proposed meeting for more than 90 consecutive days can convene and preside over relevant general meetings by themselves.

Putting Forward Proposals at General Meetings

When the Company convenes a general meeting of shareholders, the Board, the Supervisory Committee and Shareholders who individually or collectively hold more than 3% of the Company's Shares have the right to make proposals to the Company.

Shareholders who individually or collectively hold more than 3% of the Company's Shares may submit an interim proposal 10 days before the general meeting of Shareholders to the convener in writing. The convener shall issue a supplementary notice of the general meeting of Shareholders within 2 days after receiving the proposal to announce the content of the temporary proposal. The content of the interim proposal should fall within the scope of the Shareholders' general meeting, and have clear topics and specific resolutions.

Except for the circumstances specified in the preceding paragraph, the convener may not modify the proposals listed in the notice of the Shareholders meeting or add new proposals after issuing the notice of the Shareholders meeting.

For proposals that are not listed in the notice of the general meeting of Shareholders or that do not meet the requirements of Article 78 of these Articles of Association, the general meeting of Shareholders shall not vote and make resolutions.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders can supervise the operations of the Company, and send written suggestions and enquiries accordingly.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 5 Rongjing East Street
Beijing Economic-Technological
Development Area, Beijing, 100176, China
(For the attention of the Board of Directors/Company Secretary)
Fax: 010-67869582
Email: jiafengsong@joinn-lab.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) the quarterly report; (d) a notice of meeting; (e) a listing document; (f) a circular; and (g) a proxy form. The Corporate Communication of the Company will be published on its website (www.joinnlabs.com) and the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. A notice of publication of the Website Version of Corporate Communications, in both English and Chinese, will be sent by the Company to Shareholders by email or by post (only if the Company does not possess the functional email address of a Shareholder) on the publication date of the Corporate Communications.

For those Shareholders who wish to receive a printed version of all future Corporate Communications for any reason, have difficulty in gaining access to the Company's website, the Company will, upon receipt of request in writing by the Shareholder to the Company's H share registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email to is-ecom@vistra.com, send future Corporate Communications and/or the relevant Corporate Communications (as the case may be) to such Shareholders in printed form free of charge.

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (https://www.joinnlabs.com). Other corporate information about the Company's up-to-date state business operation and development, financial information and corporate governance practices will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about H Shareholdings

H Shareholders should direct their enquiries about their shareholdings to the Company's H share registrar, Tricor Investor Services Limited, via its online holding enquiry service at https://srhk.vistra.com, or send email to is-enquiries@vistra.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Enquiries about A Shareholdings

A Shareholders should direct their enquiries about their shareholdings to the Company's headquarters in the PRC by email to jiafengsong@joinn-lab.com or by post to A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China.

Changes to the Articles of Association

During the year ended 31 December 2024, the Company has amended its Articles of Association. The amendments are made to (i) reflect the proposed change of the registered capital of the Company; (ii) reflect the change in the total number of shares of the Company; (iii) reflect amendments relating to the implementation of the consultation conclusions to the proposed expansion of the Paperless Listing Regime and other revisions to the Listing Rules published by the Stock Exchange in June 2023, which came into effect on 31 December 2023; and (iv) further improve and standardise the operation level and improve the governance structure of the Company. Details of the amendments are set out in the circulars of the Company dated 5 February 2024 and 29 May 2024.

An up to date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the earnings, cash flow, financial conditions, capital requirements, statutory fund reserve requirements of the Group and any other conditions which the Board may deem relevant. The policy sets out the factors in consideration, procedures and methods of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal. The distribution of dividends will be formulated by our Board, and will be subject to shareholders' approval.

As of the date of this annual report, there is no arrangement under which a Shareholder has waived or agreed to waive any dividend (including future dividends).

Independent auditor's report to the shareholders of
JOINN Laboratories (China) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of JOINN Laboratories (China) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 102 to 188, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as ("IFRSs") issued by the International Accounting Standard Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition of non-clinical studies services

Please refer Note 4 to the consolidated financial statements and accounting policies in Note 2(w).

The key audit matter

The Group's revenue of approximately RMB2.02 billion in 2024 is mainly derived from the provision of non-clinical studies services.

The non-clinical studies service contracts entered by the Group may cover one or several experiment studies. The service contracts stipulated the scope of studies, the project schedule, pricing and closing report of the results of each study. The management of the Group evaluates whether each study is distinct performance obligation. Revenue is recognised upon the transfer of the control of service results to customers.

We identified recognition of revenue from non-clinical studies services as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures in relation to revenue recognition for non-clinical studies services included the following:

- Understanding and evaluating the design, implementation and operation effectiveness of the Group's key internal controls over revenue recognition of non-clinical studies services;
- Inspecting contracts, on a sample basis, to understand the terms of contracts and assessing the Group's revenue recognition policies of non-clinical studies services, including the identification of performance obligations, with reference to prevailing accounting standards;
- Obtaining the publicly available business registration information of selected customers, if available, to understand background of these selected customers, and compare the shareholders, directors and supervisors of these selected customers to the list of related parties provided by the management to identify any undisclosed related party relationship;
- Comparing, on a sample basis, revenue from non-clinical studies services during the financial year, to service contracts, closing reports and/or other underlying documents to evaluate whether the selected revenue transactions have been recognised in accordance with the Group's accounting policies;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition of non-clinical studies services (continued)

Please refer Note 4 to the consolidated financial statements and accounting policies in Note 2(w).

The key audit matter	How the matter was addressed in our audit
	Our audit procedures in relation to revenue recognition for non-clinical studies services included the following: (continued) • Assessing, on a sample basis, whether revenue transactions from non-clinical studies services recorded around the financial year end have been recognised in the appropriate period by inspecting non-clinical studies service contracts, closing reports and/or other relevant underlying documents; • Obtaining confirmations of outstanding trade receivables at the end of the financial year from customers, on a sample basis; for unreturned confirmations, performing alternative procedures; and • Inspecting underlying documentation for journal entries related to revenue which met specific risk-based criteria.

KEY AUDIT MATTERS (CONTINUED)

Valuation of biological assets

Please refer to Note 17 to the consolidated financial statements and accounting policies in Note 2(i).

The key audit matter

The Group's biological assets mainly comprise non-human primate research models used for breeding and non-clinical studies. These biological assets are measured at fair value. The Group engaged an external valuer to assist in valuation of the biological assets.

The fair value measurement of the biological assets involves a significant degree of management judgements, including recent market prices, replacement cost of certain age groups and annual feeding cost.

We identified the valuation of biological assets as a key audit matter because the valuation involves significant judgement with uncertainty and is subject to potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of biological assets included the following:

- Understanding and evaluating the design and implementation of the Group's key internal controls over the valuation of biological assets;
- Evaluating the external valuers' competence and capabilities and considering their objectivity;
- Involving our internal valuation specialist to assess the appropriateness of the valuation methodologies with reference to the requirements of the accounting standards;
- Assessing the reasonableness of key parameters or assumptions (including recent market prices, replacement cost of certain age groups and annual feeding cost) by comparing with market data and/or other supporting documents;
- Observing, the physical count of the Group's biological assets and comparing the quantity of biological assets to that in the valuation calculation; and
- Evaluating the disclosures in the consolidated financial statements in respect of the valuation of biological assets with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ho Ying Man Simon.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

	Note	**2024** **RMB'000**	2023 RMB'000
Revenue	4	**2,018,334**	2,376,487
Cost of services		**(1,512,794)**	(1,397,094)
Gross profit	4(b)	**505,540**	979,393
Other gains and losses, net	5	**161,181**	240,522
Losses arising from changes in fair value of biological assets	17	**(122,942)**	(288,807)
Selling and marketing expenses		**(27,881)**	(24,615)
General and administrative expenses		**(315,934)**	(296,477)
Research and development expenses		**(92,918)**	(96,854)
Profit from operations		**107,046**	513,162
Finance costs	6(a)	**(2,448)**	(3,142)
Share of losses of an associate	16	**(559)**	(3,069)
Profit before taxation	6	**104,039**	506,951
Income tax	7	**(34,284)**	(115,398)
Profit for the year		**69,755**	391,553
Other comprehensive income for the year (after tax)	10		
Item that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)		**(58,514)**	952
Item that are or may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**7,473**	4,009
		(51,041)	4,961
Total comprehensive income for the year		**18,714**	396,514

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

	Note	**2024 RMB'000**	2023 RMB'000
Profit for the year attributable to:			
Equity shareholders of the Company		**74,075**	396,993
Non-controlling interests		**(4,320)**	(5,440)
Profit for the year		**69,755**	391,553
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**23,034**	401,954
Non-controlling interests		**(4,320)**	(5,440)
Total comprehensive income for the year		**18,714**	396,514
Earnings per share	11		
Basic (RMB)		**0.10**	0.53
Diluted (RMB)		**0.10**	0.53

The notes on pages 111 to 188 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2024
(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	12	**1,430,974**	1,303,491
Intangible assets	13	**45,834**	47,800
Interest in an associate	16	**–**	19,529
Goodwill	14	**138,037**	136,007
Biological assets	17	**383,305**	558,874
Financial assets at FVOCI	18	**91,000**	159,840
Financial assets at fair value through profit or loss ("FVTPL")	26	**624,974**	587,784
Certificates of deposits and term deposits	19	**1,590,715**	30,832
Other non-current assets	20	**26,759**	32,784
Deferred tax assets	32(b)	**33,356**	28,251
		4,364,954	2,905,192
Current assets			
Inventories	21	**163,564**	184,593
Contract costs	22	**628,883**	772,739
Biological assets	17	**686,100**	905,749
Contract assets	23(a)	**121,997**	127,172
Trade and bills receivables	24	**218,003**	212,888
Prepayments and other receivables	25	**121,478**	149,070
Financial assets at FVTPL	26	**1,396,123**	373,354
Certificates of deposits and term deposits	19	**729,847**	1,533,490
Cash at bank	27	**965,203**	2,862,912
		5,031,198	7,121,967
Current liabilities			
Trade payables	28	**50,222**	43,323
Contract liabilities	23(b)	**827,161**	1,151,974
Other payables	29	**172,290**	203,215
Lease liabilities	30	**39,374**	27,500
Income tax payable	32(a)	**21,521**	41,353
		1,110,568	1,467,365
Net current assets		**3,920,630**	5,654,602
Total assets less current liabilities		**8,285,584**	8,559,794

Consolidated Statement of Financial Position

At 31 December 2024
(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	30	**21,600**	41,925
Deferred tax liabilities	32(b)	**116,875**	162,341
Deferred income	33	**67,921**	74,487
		206,396	278,753
NET ASSETS		**8,079,188**	8,281,041
CAPITAL AND RESERVES	34		
Share capital		**749,477**	749,889
Reserves		**7,329,341**	7,529,427
Total equity attributable to equity shareholders of the Company		**8,078,818**	8,279,316
Non-controlling interests		**370**	1,725
TOTAL EQUITY		**8,079,188**	8,281,041

Approved and authorised for issue by the board of directors on 28 March 2025.

Name: Feng Yuxia
Position: Chairperson

Name: Gao Dapeng
Position: Director

The notes on pages 111 to 188 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024
(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 (Note 34 (d))	Capital reserve RMB'000 (Note 34 (e)(i))	Share award reserve RMB'000 (Note 34 (e)(ii))	Statuary reserve RMB'000 (Note 34 (e)(iii))	Exchange reserve RMB'000 (Note 34 (e)(iv))	Fair value reserve (non-recycling) RMB'000 (Note 34 (e)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2024		**749,889**	**5,267,128**	**(146,452)**	**144,260**	**7,154**	**93,364**	**2,163,973**	**8,279,316**	**1,725**	**8,281,041**
Changes in equity for 2024:											
Profit for the year		-	-	-	-	-	-	74,075	74,075	(4,320)	69,755
Other comprehensive income		-	-	-	-	7,473	(58,514)	-	(51,041)	-	(51,041)
Total comprehensive income		-	-	-	-	7,473	(58,514)	74,075	23,034	(4,320)	18,714
Cancellation of restricted shares	31(a)(ii)	(412)	(17,019)	17,431	-	-	-	-	-	-	-
Acquisition of non–controlling interests		-	(12,443)	-	-	-	-	89	(12,354)	12,354	-
Deregistration of a subsidiary		-	-	-	-	-	-	-	-	(9,389)	(9,389)
Share held for Share Incentive Schemes	34(b)	-	-	(93,443)	-	-	-	-	(93,443)	-	(93,443)
Appropriation to reserves		-	-	-	23,534	-	-	(23,534)	-	-	-
Dividends declared and paid in respect of the previous year	34(c)(ii)	-	-	1,899	-	-	-	(119,634)	(117,735)	-	(117,735)
Balance at 31 December 2024		**749,477**	**5,237,666**	**(220,565)**	**167,794**	**14,627**	**34,850**	**2,094,969**	**8,078,818**	**370**	**8,079,188**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024
(Expressed in RMB)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 (Note 34 (d))	Capital reserve RMB'000 (Note 34 (e)(i))	Share award reserve RMB'000 (Note 34 (e)(ii))	Statuary reserve RMB'000 (Note 34 (e)(iii))	Exchange reserve RMB'000 (Note 34 (e)(iv))	Fair value reserve (non-recycling) RMB'000 (Note 34 (e)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2023		535,679	5,480,135	(53,154)	119,511	3,145	92,412	2,005,973	8,183,701	7,165	8,190,866
Changes in equity for 2023:											
Profit for the year		–	–	–	–	–	–	396,993	396,993	(5,440)	391,553
Other comprehensive income		–	–	–	–	4,009	952	–	4,961	–	4,961
Total comprehensive income		–	–	–	–	4,009	952	396,993	401,954	(5,440)	396,514
Issue of shares under bonus issue	34(d)	214,244	(214,244)	–	–	–	–	–	–	–	–
Deregistration of restricted shares		(34)	(1,851)	1,885	–	–	–	–	–	–	–
Unlock of restricted shares		–	–	11,220	–	–	–	–	11,220	–	11,220
Issue of Employee Ownership Plan	34(b)	–	(2,655)	5,386	–	–	–	–	2,731	–	2,731
Termination of Employee Ownership Plan	34(b)	–	(172)	–	–	–	–	–	(172)	–	(172)
Share held for Share Incentive Schemes		–	–	(111,906)	–	–	–	–	(111,906)	–	(111,906)
Recognition of share–based payments		–	6,028	–	–	–	–	–	6,028	–	6,028
Recognition of tax effect related with share–based payments		–	(113)	–	–	–	–	–	(113)	–	(113)
Appropriation to reserves		–	–	–	24,749	–	–	(24,749)	–	–	–
Dividends declared and paid in respect of the previous year	34(c)(ii)	–	–	117	–	–	–	(214,244)	(214,127)	–	(214,127)
Balance at 31 December 2023		749,889	5,267,128	(146,452)	144,260	7,154	93,364	2,163,973	8,279,316	1,725	8,281,041

The notes on pages 111 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024
(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Profit before taxation		**104,039**	506,951
Adjustments for:			
Impairment loss of inventories, contract cost and prepayments		**66,540**	31,232
Loss allowance of contract assets and receivables		**19,140**	10,322
Amortisation of intangible assets	13	**10,092**	9,061
Depreciation of property, plant and equipment	12(a)	**134,996**	133,071
Finance costs	6(a)	**2,448**	3,142
Finance income		**(59,443)**	(55,640)
Change in fair value of financial assets at FVTPL	5	**4,107**	(43,165)
Gains on financial assets at FVTPL	5	**(20,540)**	(12,697)
Disposal gains and share of losses of an associate	16	**(15,471)**	3,069
Net loss on disposal of property, plant and equipment	5	**210**	251
Losses arising from changes in fair value of biological assets	17	**122,942**	288,807
Equity-settled share-based payment expenses	31(b)	**–**	6,028
Net foreign exchange losses/(gains)	5	**684**	(12,114)
Changes in working capital:			
Decrease in inventories		**13,726**	158,665
Decrease/(increase) in contract costs		**98,088**	(23,802)
Decrease in contract assets		**5,201**	1,312
Decrease in biological assets		**272,382**	104,493
Increase in trade and bills receivables		**(24,137)**	(11,706)
Decrease/(increase) in prepayments and other receivables		**15,201**	(83,406)
Increase/(decrease) in trade payables		**6,899**	(83,986)
Increase/(decrease) in other payables		**9,010**	(5,366)
Decrease in contract liabilities		**(324,813)**	(142,733)
Decrease in deferred income		**(8,100)**	(7,040)
Cash generated from operations		**433,201**	774,749
Tax paid	32(a)	**(95,804)**	(152,722)
Net cash generated from operating activities		**337,397**	622,027

	Note	2024 RMB'000	2023 RMB'000
Investing activities			
Acquisition of subsidiaries, net of cash acquired		**–**	(90,060)
Payment for acquisition of RMB wealth management products	35d(i)	**(2,755,998)**	(555,000)
Payment for investments in unlisted funds	35d(i)	**(49,900)**	(62,352)
Purchase of property, plant and equipment		**(251,527)**	(186,775)
Purchase of intangible assets		**(17,864)**	(5,946)
Payment for acquisition of certificates of deposits and term deposits		**(2,253,237)**	(30,000)
Placement of restricted deposits		**–**	(9,200)
Release of restricted deposits		**9,200**	17,405
Proceeds from disposal of RMB wealth management products	35d(i)	**1,759,894**	577,532
Proceeds from disposal of certificates of deposits		**1,557,839**	–
Proceeds from disposal of equity investment in a listed company		**–**	27,516
Proceeds from disposal of an associate		**35,000**	–
Dividends received from unlisted funds		**3,000**	1,300
Proceeds from disposal of property, plant and equipment		**568**	150
Government grant received related to assets		**1,534**	850
Net cash used in investing activities		**(1,961,491)**	(314,580)

Consolidated Cash Flow Statement

For the year ended 31 December 2024
(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Financing activities			
Repayment of interest-bearing borrowings	27(b)	**–**	(6,895)
Share held for Share Incentive Schemes	34(b)	**(91,493)**	(111,848)
Payments for cancellation of restricted shares	27(b)	**(16,369)**	(1,735)
Repayments of investment in deregistered subsidiaries to non-controlling shareholders		**(9,389)**	–
Dividends paid	34(c)	**(119,634)**	(214,244)
Interest paid	27(b)	**–**	(86)
Capital element of lease rentals paid	27(b)	**(25,870)**	(24,317)
Interest element of lease rentals paid	27(b)	**(2,874)**	(2,554)
Net cash used in from financing activities		**(265,629)**	(361,679)
Effect of foreign exchange rate changes on cash and cash equivalents		**1,279**	8,410
Net decrease in cash and cash equivalents		**(1,888,444)**	(45,822)
Cash and cash equivalents at 1 January	27(a)	**2,853,647**	2,899,469
Cash and cash equivalents at 31 December	27(a)	**965,203**	2,853,647

The notes on pages 111 to 188 form part of these financial statements.

1 CORPORATE INFORMATION

JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司, the "Company") was incorporated in the People's Republic of China (the "PRC") as a joint stock limited liability company under the PRC laws. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering of A shares and listed on the Shanghai Stock Exchange (stock code: 603127.SH) on 25 August 2017. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (stock code: 6127.HK) on 26 February 2021.

The Company and its subsidiaries (together, the "Group") are principally engaged in providing a comprehensive portfolio of contract research organisation ("CRO") services including non-clinical studies services, clinical trial and related services and sales of research models.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets are stated at their fair values as explained in the accounting policies set out below:

- biological assets (see Note 2(i));
- equity investments in unlisted companies (see Note 2(h));
- investments in unlisted funds (see Note 2(h)); and
- RMB wealth management products (see Note 2(h)).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to the consolidated financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current*

- 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 period have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see Note 2(e)). The consideration transferred in the acquisition is generally measured at fair value, as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment (see Note 2(m)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Business combination (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains and losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(r) or (s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(m)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction cost. Subsequently, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see Note 2(m)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investments in an associate is stated at cost less impairment losses (see Note 2(m)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(g) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(m)(ii)).

(h) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(d). These investments are subsequently accounted for as follows, depending on their classification.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in securities (continued)

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Excepted credit losses, interest income calculated using the effective interest method (see Note 2(w)(iii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profits or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other gain and losses, net.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Biological assets

Biological assets of the Group mainly represent research models including non-human primates and rodents for breeding and non-clinical studies. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs of disposal. Research models for breeding are classified as non-current assets and research models for non-clinical studies are classified as current assets.

The feeding costs and other related costs such as staff costs, depreciation and amortisation expenses and utilities cost incurred for raising research models for non-clinical studies are capitalised until the research models begin to mate and transfer to the Group's research models for breeding. Such costs incurred for research models for breeding are charged to profit or loss during the reporting period.

Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the year in which it arises.

(j) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(m)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(l)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment recognised in profit or loss.

Depreciation is calculated to write-off the cost of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives
Plant and buildings	20–30 years
Machinery and equipment	5–10 years
Vehicles, furniture, and others	3–10 years
Leasehold improvement	Shorter of lease term or 3–10 years
Right-of-use assets	Over the term of lease

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting assets. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patent and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(m)(ii)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit and loss.

The estimated useful lives for the current and comparative periods are as follows:

Patents and trademarks	10 years
Software	5–10 years
Customer relationships	10 years

The useful lives of patents and trademarks of 10 years are determined based on terms of expiry of related legal rights. The useful lives of software are around 5–10 years which are determined based on technological obsolescence.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill) (continued)

Customer relationship acquired in business combinations is recognised at fair value at the acquisition dates. The useful life of customer relationship reflects the Company's directors' view of the average economic life of the customer relationship and is assessed by reference to annual attrition rate. Amortisation is calculated using the straight-line method over expected life of 10 years.

Amortisation method, useful lives and residual values are reviewed annually and adjusted if appropriate.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(j) and 2(m)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(h), 2(w)(iii) and 2(m)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECL"s) on:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and bills receivables, and other receivables);

– contract assets (see Note 2(o)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls of fixed-rate financial assets, trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due:

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default; or

– it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is estimated annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use, is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Inventories and other contract costs

(i) Inventories

Inventories mainly represent raw materials and supplies to be consumed in the rendering of services.

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using specific identification or first-in, first-out formula. Net realisable value is the estimated contracted selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(n)(ii)).

The Group takes advantage of practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining a contract as expense if the amortisation of the asset that the Group otherwise would have recognised is one year or less.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less impairment losses. The accounting policy for revenue recognition is set out in Note 2(w).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(w)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECL (see Note 2(m)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(p)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(w)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(p)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(w)(iii)).

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(m)(i)).

Insurance reimbursement is recognised and measured in accordance with Note 2(v).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see Note 2(m)(i)).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(y).

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payments

The grant-date fair value of equity-settled share based payments granted to employees is measured using the Black-Scholes model. The amount is generally recognised as an expenses, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(u) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income, or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rendering of services

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

For certain revenue from clinical trial and related services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income (continued)

(i) Rendering of services (continued)

Otherwise, revenue is recognised at a point in time when the Group transfers the control for services/deliverable units and has right to payment from the customers for the services performed upon finalisation, or upon the delivery and acceptance of the deliverable units.

For non-clinical studies service, contracts with customers may cover one or several experiment studies. The service contracts stipulated the scope of studies, the project schedule, pricing and closing report of the results of each study. The management of the Group evaluates whether each study is distinct performance obligation. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Revenue is recognised with the allocated amounts at a point in time upon satisfaction of the individual performance obligations.

(ii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial assets. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the asset.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(x) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Foreign currency differences are generally recognised in profit or loss.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statement, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 14, 17 and 35(d) contains information about the assumptions and their risk factors relating to goodwill impairment, fair value of biological assets and fair value of financial instruments. Other key source of estimation uncertainty is as follows:

(a) Expected credit loss for trade receivables

The credit loss for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, set Note 35(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional loss allowance in future periods.

(b) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in providing non-clinical drug safety assessment services to pharmaceutical and biotechnology companies. Further details regarding the Group's principal activities are disclosed in Note 4(b). Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major service lines is as follows:

	2024 **RMB'000**	2023 RMB'000
Rendering services:		
Non-clinical studies services	**1,917,487**	2,308,999
Clinical trial and related services	**99,940**	63,424
Sales of goods:		
Sales of research models	**907**	4,064
	2,018,334	2,376,487

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer.

As at 31 December 2024, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied was approximately RMB2,200 million (2023: RMB3,300 million). Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of reporting period will be recognised within 3 years from the end of the reporting period.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- ***Non-clinical studies services***

  The Group currently offers a comprehensive range of non-clinical studies services in the PRC and the United States of America (the "USA"), including (i) drug safety assessment; (ii) drug metabolism and pharmacokinetics ("DMPK") studies; and (iii) pharmacology and efficacy studies.

- ***Clinical trial and related services***

  These services include (i) clinical CRO services; (ii) co-managed phase I clinical research units; and (iii) bioanalytical services.

- ***Sales of research models***

  The Group engages in the design, production, breeding and sales of research models, currently including non-human primates and rodents.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

The Group's other operating income and expenses, such as other gains and losses, net, losses arising from changes in fair value of biological assets, and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

	2024			
	Non-clinical studies services RMB'000	Clinical trial and related services RMB'000	Sales of research models RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	1,917,487	35,379	907	1,953,773
Over time	–	64,561	–	64,561
Revenue from external customer	1,917,487	99,940	907	2,018,334
Inter-segment revenue	868	–	316,841	317,709
Reportable segment revenue	1,918,355	99,940	317,748	2,336,043
Reportable segment gross profit	477,120	11,935	12,199	501,254

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

	2023			
	Non-clinical studies services RMB'000	Clinical trial and related services RMB'000	Sales of research models RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	2,308,999	41,517	4,064	2,354,580
Over time	–	21,907	–	21,907
Revenue from external customer	2,308,999	63,424	4,064	2,376,487
Inter-segment revenue	4,161	225	142,287	146,673
Reportable segment revenue	2,313,160	63,649	146,351	2,523,160
Reportable segment gross profit	951,641	14,325	6,659	972,625

(ii) Reconciliations of reportable segment gross profit

	2024 RMB'000	2023 RMB'000
Reportable segment gross profit	**501,254**	972,625
Elimination of inter-segment gross losses	**4,286**	6,768
Consolidated gross profit	**505,540**	979,393

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical information about the revenue prepared by external customers' respective country/region of domicile is as follows:

	2024 **RMB'000**	2023 RMB'000
The PRC	**1,579,381**	1,797,730
The USA	**415,422**	566,271
Other countries/regions	**23,531**	12,486
	2,018,334	2,376,487

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and biological assets, and the location of the operation to which they are allocated, in the case of intangible assets, goodwill and interests in an associate.

	2024 **RMB'000**	2023 RMB'000
The PRC	**1,643,135**	1,726,507
The USA	**355,015**	339,194
	1,998,150	2,065,701

5 OTHER GAINS AND LOSSES, NET

	2024 RMB'000	2023 RMB'000
Government grants (including amortisation of deferred income)	**26,527**	30,254
Interest income	**103,231**	142,503
Gains from disposal of an associate	**16,030**	–
Net foreign exchange (losses)/gains	**(684)**	12,114
Net loss on disposal of property, plant and equipment	**(210)**	(251)
Gains on financial assets at FVTPL	**20,540**	12,697
Change in fair value of financial assets at FVTPL	**(4,107)**	43,165
Others	**(146)**	40
	161,181	240,522

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2024 RMB'000	2023 RMB'000
Interest on interest-bearing borrowings	**–**	86
Interest on lease liabilities	**2,448**	3,056
	2,448	3,142

(b) Staff costs

	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits	**585,001**	574,996
Contributions to defined contribution retirement scheme	**54,223**	53,109
Equity-settled share-based payment expenses (Note 31(b))	**–**	6,028
	639,224	634,133

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (continued)

The employees of the Company and the subsidiaries of the Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these companies are required to contribute to the scheme at certain rates of the employees' basic salaries. The Group also has defined contribution plan in the USA (including the Federal Insurance Contributions Act tax and a 401(k) savings plan) whereby the subsidiaries established in the USA contribute to the plan at certain rates of the employees' salaries subject to certain contribution limits.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2024 **RMB'000**	2023 RMB'000
Amortisation of intangible assets	**10,092**	9,061
Depreciation charge		
– Self-owned property, plant and equipment	**101,140**	101,753
– Right-of-use assets	**33,856**	31,318
Recognition of expected credit loss	**19,140**	10,322
Auditors' remuneration		
– audit services	**3,000**	3,000
– other assurance services	**51**	51
– non-assurance services	**276**	256
Cost of inventories	**821,555**	774,938

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2024 **RMB'000**	2023 RMB'000
Current tax		
Provision for the year (Note 32(a))	**74,561**	137,259
Deferred tax		
Origination and reversal of temporary differences (Note 32(b))	**(40,277)**	(21,861)
	34,284	115,398

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2024 **RMB'000**	2023 RMB'000
Profit before taxation	**104,039**	506,951
Tax calculated tax rate of 25% (Note (i))	**26,010**	126,738
Tax effect of		
– different tax rates of subsidiaries operating in other jurisdictions and tax concessions (Notes (ii) and (iii))	**(6,084)**	(16,904)
– additional deduction on research and development expenses and depreciation expenses (Note (iv))	**(22,280)**	(23,347)
– unused tax losses and temporary differences not recognised	**36,827**	26,052
– Utilisation of tax losses previously not recognised	**(1,546)**	–
– non-deductible expenses	**1,357**	2,859
	34,284	115,398

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Notes:

(i) The Company and the subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% during the years ended 31 December 2024 and 2023.

(ii) The subsidiaries of the Group incorporated in the USA are subject to Federal Corporate Tax and State Income Tax. The federal corporate tax rate was 21% and the state income tax rate was a range from 5.5% to 8.84% during the years ended 31 December 2024 and 2023.

A subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax according to the two-tiered profits tax rates regime from the year of assessment 2018/19 onwards. The profits tax rate for the first Hong Kong Dollars ("HK$") 2,000,000 of profits of corporations will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

(iii) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria.

The Company, JOINN Laboratories (Suzhou) Co., Ltd. ("JOINN Suzhou", 昭衍(蘇州)新藥研究中心有限公司) and JOINN Clinical (Beijing) Co., Ltd. (昭衍(北京)醫藥科技有限公司), subsidiaries of the Group, were qualified as a HNTE. Accordingly, these companies are entitled to the preferential tax rate of 15% for the years ended 31 December 2024 and 2023. The entitlement to the preferential tax rate will expire in December 2025.

Pursuant to the announcement of the Continuing the Enterprise Income Tax policy of Western Development, Frontier Biotechnology (Guangxi) Co., Ltd. ("Guangxi Qianyan", 廣西前沿生物技術有限公司), Guangxi Weimei Bio-tech Co., Ltd. ("Guangxi Weimei", 廣西瑋美生物科技有限公司), Yunnan Yinmore Bio-Tech Co., Ltd. ("Yunnan Yinmore", 雲南英茂生物科技有限公司) are taxed at a preferential rate of 15% for the year ended 31 December 2024 and 2023. In addition, these three subsidiaries are entitled to 50% income tax exemptions on their non-human primates research models breeding business during the years ended 31 December 2024 and 2023 pursuant to article 27 of Law of the People's Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People's Republic of China).

(iv) According to the relevant tax rules in the PRC, qualified research and development expenses are allowed for additional tax deduction based on 100% of such expenses for the year ended 31 December 2024 and 2023.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' and Supervisors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2024 Total RMB'000
Executive directors					
Ms. Feng Yuxia *(Chairperson)*	–	2,500	–	74	2,574
Mr. Zuo Conglin (resigned on 20 December 2024)	–	868	–	–	868
Mr. Gao Dapeng	–	900	793	45	1,738
Ms. Sun Yunxia	–	847	773	–	1,620
Dr. Yao Dalin (resigned on 30 October 2024)	–	911	–	–	911
Independent non-executive directors					
Mr. Sun Mingcheng	150	–	–	–	150
Mr. Zhai Yonggong	150	–	–	–	150
Mr. Ou Xiaojie	150	–	–	–	150
Mr. Zhang Fan	164	–	–	–	164
Supervisors					
Ms. Li Ye	–	653	273	66	992
Mr. He Yingjun	–	–	–	–	–
Ms. Zhao Wenjie	–	–	–	–	–
	614	6,679	1,839	185	9,317

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Directors' and Supervisors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (Note 31) RMB'000	2023 Total RMB'000
Executive directors							
Ms. Feng Yuxia *(Chairperson)*	–	2,161	960	88	3,209	–	3,209
Mr. Zuo Conglin	–	828	960	20	1,808	95	1,903
Mr. Gao Dapeng	–	898	910	63	1,871	30	1,901
Ms. Sun Yunxia	–	859	910	58	1,827	30	1,857
Dr. Yao Dalin	–	1,086	–	–	1,086	–	1,086
Non-executive director							
Mr. Gu Xiaolei (resigned on 27 April 2023)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Sun Mingcheng	150	–	–	–	150	–	150
Mr. Zhai Yonggong	150	–	–	–	150	–	150
Mr. Ou Xiaojie	150	–	–	–	150	–	150
Mr. Zhang Fan	162	–	–	–	162	–	162
Supervisors							
Ms. Li Ye	–	610	327	63	1,000	–	1,000
Mr. He Yingjun	–	74	–	5	79	–	79
Ms. Zhao Wenjie	–	–	–	–	–	–	–
	612	6,516	4,067	297	11,492	155	11,647

During the year ended 31 December 2024, no emoluments were paid by the Group to the directors, supervisors or any of the individuals with highest emoluments as disclosed in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office (2023: nil), and there was no arrangement under which a director waived or agreed to waive any emoluments (2023: nil).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 1 (2023: 1) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the 4 (2023: 4) individuals are as followings:

	2024 **RMB'000**	2023 RMB'000
Salaries and other emoluments	**12,388**	12,539
Retirement scheme contributions	**494**	509
	12,882	13,048

The emoluments of the remaining 4 (2023: 4) individuals, respectively, who are amongst the five highest paid individuals of the Group are within the following bands:

	2024 **Number of** **individuals**	2023 Number of individuals
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**1**	1
	4	4

10 OTHER COMPREHENSIVE INCOME

	2024 **RMB'000**	2023 RMB'000
Equity investments at FVOCI – net movement in fair value reserve (non-recycling) (Note 35(d))	**(68,840)**	1,120
Tax effect (Note 32(b))	**10,326**	(168)
Net-of-tax amount	**(58,514)**	952
Exchange differences on translation of financial statements of foreign operations	**7,473**	4,009
Tax effect	**–**	–
Net-of-tax amount	**7,473**	4,009
	(51,041)	4,961

(Expressed in RMB unless otherwise indicated)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB74,075,000 (2023: RMB396,993,000) and the weighted average number of ordinary shares calculated as below:

	2024	2023
Issued ordinary shares at 1 January	**749,888,699**	535,678,676
Issue of shares under bonus issue in 2023 (Note 34(d))	**–**	214,271,470
Effect of restricted shares (Note 31(a)(ii))	**(411,365)**	(547,205)
Weighted average number of ordinary shares at 31 December	**749,477,334**	749,402,941

The weighted average number of ordinary shares shown above for the purpose of calculating basic earnings per share have been retrospectively adjusted to reflect the effect of issuance of shares under bonus issue (Note 34(d)).

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB74,075,000 (2023: RMB396,993,000), and the weighted average number of ordinary shares (diluted) calculated as below:

	2024	2023
Weighted average number of ordinary shares at 31 December	**749,477,334**	749,402,941
Effect of restricted shares outstanding	**–**	30,741
Effect of deemed issue of shares under share option schemes (Note 31(a))	**–**	494,826
Weighted average number of ordinary shares (diluted) at 31 December	**749,477,334**	749,928,508

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Plant and buildings RMB'000	Right-of-use assets RMB'000	Machinery and equipment RMB'000	Vehicles, furniture, and others RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2023	449,470	405,951	460,438	47,989	61,617	277,735	1,703,200
Additions	–	11,729	63,268	11,291	5,409	108,077	199,774
Disposals	(125)	–	(2,392)	(1,217)	–	–	(3,734)
Transfer in/(out)	6,608	–	717	–	36,504	(43,829)	–
Expiration	–	(13,149)	–	–	–	–	(13,149)
Termination of contract before expiration	–	(1,037)	–	–	–	–	(1,037)
Exchange adjustments	–	2,560	1,070	188	813	25	4,656
At 31 December 2023	455,953	406,054	523,101	58,251	104,343	342,008	1,889,710
Additions	36,218	34,190	42,762	9,940	4,016	141,425	268,551
Disposals	–	–	(4,188)	(413)	–	–	(4,601)
Transfer in/(out)	97,895	–	10,519	1,602	247	(114,506)	(4,243)
Termination of contract before expiration	–	(8,026)	–	–	–	–	(8,026)
Exchange adjustments	381	2,415	1,286	170	787	–	5,039
At 31 December 2024	**590,447**	**434,633**	**573,480**	**69,550**	**109,393**	**368,927**	**2,146,430**
Accumulated depreciation:							
At 1 January 2023	(109,288)	(79,514)	(236,823)	(21,570)	(21,314)	–	(468,509)
Charge for the year	(24,424)	(31,318)	(58,058)	(6,650)	(12,621)	–	(133,071)
Written back on disposals	30	–	2,030	1,143	–	–	3,203
Expiration	–	13,149	–	–	–	–	13,149
Termination of contract before expiration	–	562	–	–	–	–	562
Exchange adjustments	–	(904)	(329)	(44)	(276)	–	(1,553)
At 31 December 2023	(133,682)	(98,025)	(293,180)	(27,121)	(34,211)	–	(586,219)
Charge for the year	(26,578)	(33,856)	(51,436)	(8,357)	(14,769)	–	(134,996)
Written back on disposals	–	–	3,903	339	–	–	4,242
Termination of contract before expiration	–	3,745	–	–	–	–	3,745
Exchange adjustments	–	(1,205)	(509)	(68)	(446)	–	(2,228)
At 31 December 2024	**(160,260)**	**(129,341)**	**(341,222)**	**(35,207)**	**(49,426)**	**-**	**(715,456)**
Net book value:							
At 31 December 2024	**430,187**	**305,292**	**232,258**	**34,343**	**59,967**	**368,927**	**1,430,974**
At 31 December 2023	322,271	308,029	229,921	31,130	70,132	342,008	1,303,491

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2024 RMB'000	2023 RMB'000
Property leased for own use, carried at depreciation cost:		
– Land use rights	**252,680**	244,579
– Leased land	**1,592**	2,470
– Office buildings	**50,842**	60,631
– Equipment	**178**	349
	305,292	308,029

The Group leased land with lease term from 5 to 50 years, leases of offices and equipment with lease term from 2 to 10 years. None of the leases includes an option to purchase the leased assets at the end of the lease term.

The analysis of expense items in relation to leases recognised in profit or loss are as follows:

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
– Land use rights	**5,164**	5,164
– Leased land	**877**	877
– Office buildings	**27,639**	25,103
– Equipment	**176**	174
	33,856	31,318
Interest on lease liabilities (Note 6(a))	**2,448**	3,056
Expense relating to short-term leases (Note 27(c))	**9,319**	7,305

Further details on lease liabilities are set out in Notes 27(c) and 30.

13 INTANGIBLE ASSETS

	Patents and trademarks RMB'000	Software RMB'000	Customer relationships RMB'000	Total RMB'000
Cost:				
At 1 January 2023	501	33,884	42,192	76,577
Additions	4	5,942	–	5,946
Exchange adjustments	–	–	715	715
At 31 December 2023	505	39,826	42,907	83,238
Additions	–	7,793	–	7,793
Exchange adjustments	–	–	640	640
At 31 December 2024	**505**	**47,619**	**43,547**	**91,671**
Accumulated amortisation:				
At 1 January 2023	(377)	(12,749)	(13,009)	(26,135)
Charge for the year	(45)	(4,747)	(4,269)	(9,061)
Exchange adjustments	–	–	(242)	(242)
At 31 December 2023	(422)	(17,496)	(17,520)	(35,438)
Charge for the year	(46)	(5,737)	(4,309)	(10,092)
Exchange adjustments	–	–	(307)	(307)
At 31 December 2024	**(468)**	**(23,233)**	**(22,136)**	**(45,837)**
Net book value:				
At 31 December 2024	**37**	**24,386**	**21,411**	**45,834**
At 31 December 2023	83	22,330	25,387	47,800

The amortisation of intangible assets is mainly included in cost of services and general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

14 GOODWILL

	RMB'000
Cost	
At 1 January 2023	133,739
Exchange adjustments	2,268
At 31 December 2023	136,007
Exchange adjustments	2,030
At 31 December 2024	**138,037**

Impairment tests for cash-generating units containing goodwill

The goodwill arose from the acquisition of Biomere in 2019.

The recoverable amount of the cash-generating unit was determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using estimated nil growth rate at 31 December 2024 and 2023.

	2024	2023
Annual growth rate of revenue during the 5-year forecast period	**0.64% ~ 7.26%**	0.00% ~ 1.04%
Pre-tax discount rate	**16.94%**	16.90%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the cash-generating unit as at 31 December 2024 is RMB37,184,000 (2023: RMB119,769,000).

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2024 and 2023:

	2024	2023
Decrease in annual growth rate	**0.7%**	1.6%
Increase in pre-tax discount rate	**3.3%**	10.3%

As a result of the above impairment tests, the directors of the Company are of the view that there was no impairment of goodwill as at 31 December 2024 and 2023.

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 December 2024 are as follows:

Name of company	Place of incorporation/ establishment and operation, and kind of legal entity	Particulars of issued/ paid-in capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
JOINN Laboratories (Suzhou) Co., Ltd. 昭衍(蘇州)新藥研究中心有限公司 (Note)	The PRC, limited liability company	RMB 500,000,000	100%	–	100%	Non-clinical studies services and sales of research models
Biomedical Research Models, Inc	The USA, limited liability company	200,000 shares	100%	–	100%	Non-clinical studies services
Frontier Biotechnology (Guangxi) Co., Ltd. 廣西前沿生物技術有限公司 (Note)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Research models breeding
Yunnan Yinmore Bio-Tech Co., Ltd. 雲南英茂生物科技有限公司 (Note)	The PRC, limited liability company	RMB 100,000,000	100%	–	100%	Research models breeding
Guangxi Weimei Bio-tech Co., Ltd. 廣西瑋美生物科技有限公司 (Note)	The PRC, limited liability company	RMB 24,000,000	100%	–	100%	Research models breeding
JOINN Laboratories (Chongqing) Co., Ltd. 昭衍(重慶)新藥研究中心有限公司 (Note)	The PRC, limited liability company	RMB 300,000,000	100%	100%	–	Non-clinical studies services
JOINN Laboratories (Guangzhou) Co., Ltd. 昭衍(廣州)新藥研究中心有限公司 (Note)	The PRC, limited liability company	RMB 300,000,000	100%	100%	–	Non-clinical studies services
JOINN Biotechnology (Wuzhou) Co., Ltd. 梧州昭衍生物科技有限公司 (Note)	The PRC, limited liability company	RMB 100,000,000	100%	100%	–	Research models breeding
JOINN Laboratories (Wuzhou) Co., Ltd. 梧州昭衍新藥研究中心有限公司 (Note)	The PRC, limited liability company	RMB 50,000,000	100%	100%	–	Non-clinical studies services

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment and operation, and kind of legal entity	Particulars of issued/ paid-in capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
JOINN Medical Testing Laboratories (Beijing) Co., Ltd. 昭衍(北京)檢測技術有限公司 (Note)	The PRC, limited liability company	RMB 50,000,000	100%	100%	–	Clinical trial and related services
JOINN Clinical (Beijing) Co., Ltd. 昭衍(北京)醫藥科技有限公司 (Note)	The PRC, limited liability company	RMB 20,000,000	100%	100%	–	Clinical trial and related services
JOINN Drug Quality Research and Testing (Beijing) Co., Ltd. 北京昭衍藥物檢定研究有限公司 (Note)	The PRC, limited liability company	RMB 60,000,000	100%	100%	–	Clinical trial and related services
JOINN Management Technology (Beijing) Co., Ltd. 北京昭衍管理科技有限公司 (Note)	The PRC, limited liability company	RMB 100,000,000	100%	100%	–	Investment management

Note:

The official names of these entities incorporated in the PRC are in Chinese. The English translation is included for identification purpose only.

16 INTEREST IN AN ASSOCIATE

The following list contains only the particulars of an immaterial associate, which is unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest as at 31 December 2023			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued/ paid-in capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Jiangsu Sinotau Molecular Imaging Science & Technology Co., LTD 江蘇先通分子影像科技有限公司	Incorporated	The PRC, limited liability company	RMB 30,000,000	30%	30%	–	Radioactive and molecular imaging technology test

The above associate is accounted for using the equity method in the consolidated financial statements. The Group disposed all the shares in the associate in March 2024 and earned the disposal gains of RMB16,030,000.

17 BIOLOGICAL ASSETS

The biological assets of the Group are mainly including research models for non-clinical studies which are classified as current assets, and research models for breeding which are classified as non-current assets of the Group.

	2024 RMB'000	2023 RMB'000
Non-current assets		
– Non-human primates for breeding	**383,129**	558,874
– Rodents for breeding	**176**	–
	383,305	558,874
Current assets		
– Non-human primates for non-clinical studies	**685,770**	905,741
– Rodents for non-clinical studies	**330**	8
	686,100	905,749
	1,069,405	1,464,623

17 BIOLOGICAL ASSETS (CONTINUED)

(a) Analysis of non-human primates

	Non-human primates for breeding RMB'000	Non-human primates for non-clinical studies RMB'000	Total RMB'000
At 1 January 2023	787,405	1,071,026	1,858,431
Increase due to purchasing/raising	–	17,420	17,420
Breeding cost*	–	22,190	22,190
Decrease due to sales	–	(140,346)	(140,346)
Decrease due to mortality	(651)	(3,622)	(4,273)
Changes in fair value of biological assets	(243,402)	(45,405)	(288,807)
Transfer	15,522	(15,522)	–
At 31 December 2023	558,874	905,741	1,464,615
Increase due to purchasing/raising	–	8,812	8,812
Breeding cost*	–	29,029	29,029
Decrease due to sales	–	(305,569)	(305,569)
Decrease due to mortality	(477)	(4,569)	(5,046)
Changes in fair value of biological assets	(193,528)	70,586	(122,942)
Transfer	18,260	(18,260)	–
At 31 December 2024	**383,129**	**685,770**	**1,068,899**

Note:

* Breeding cost incurred for non-human primates mainly include feeding costs, staff costs, depreciation and amortisation expenses and utilities costs. Breeding cost incurred for non-human primates for breeding has been charged to profit or loss.

(b) Fair value measurement of biological assets

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

The Group's non-human primates were revalued as at 31 December 2024. The valuations were carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The Group's finance manager and the chief financial officer have discussed with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

The fair values of biological assets are determined using market approach and depreciated replacement cost approach. Market price and replacement cost and adjustment factors based on the characteristics of the biological assets (including age, gender, health status, breeding useful life and etc.) were used in the calculations of fair values.

(Expressed in RMB unless otherwise indicated)

17 BIOLOGICAL ASSETS (CONTINUED)

(b) Fair value measurement of biological assets (continued)

Information about Level 3 fair value measurements:

Fair value hierarchy	Valuation technique	Inputs	Relationship of unobservable inputs to fair value
Level 3	Market approach and depreciated replacement cost approach	Market prices of non-human primates research model	The higher the market prices, the higher the fair value.

As at 31 December 2024, the average market price of the non-human primates research model of 3 to 5 years old is RMB80,000 per head.

The estimated fair value of non-human primates increases/decreases as a result of an increase/decrease in the market price. As at 31 December 2024 if market price increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB106,890,000 (2023: RMB146,462,000).

Changes in fair value of biological assets are presented in "losses arising from changes in fair value of biological assets" in the consolidated statement of profit or loss and other comprehensive income.

18 FINANCIAL ASSETS AT FVOCI

	2024 **RMB'000**	2023 RMB'000
Equity investments designated at FVOCI (non-recycling) – Equity investments in an unlisted company	**91,000**	159,840

The amount mainly represents equity investment in an unlisted company, Beijing Joinn Biologics Co. Ltd. ("Beijing Biologics"), which is incorporated in Beijing and engaged in medical research. Beijing Biologics is under ultimate control of Ms. Feng Yuxia and Mr. Zhou Zhiwen, the Company's ultimate shareholder. The Group designated the unlisted equity investments at FVOCI (non-recycling), as the investment is held for the long term for strategic purposes.

No dividends were received on this investment during the year (2023: nil).

19 CERTIFICATES OF DEPOSIT AND TERM DEPOSITS

	2024 **RMB'000**	2023 RMB'000
Certificates of deposit and term deposit	**2,320,562**	1,564,322

The amount represents certificates of deposit and term deposits with PRC commercial banks with initial maturity of 1-3 years and bear fixed interest rate. Among the balance, RMB729,846,541, RMB270,467,040, and RMB1,320,248,145 will be expired in 2025, 2026 and 2027, respectively. The Company manages the above financial assets with the objective of the collection of contractual cash flows. The certificates of deposit and term deposits are measured at amortised cost.

20 OTHER NON-CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
Prepayment for land use rights	**17,794**	17,794
Prepayments for acquisition of property, plant and equipment	**5,784**	10,093
Others	**3,181**	4,897
	26,759	32,784

21 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2024 RMB'000	2023 RMB'000
Raw materials and consumables	**170,867**	191,517
Less: write-down of inventories	**(7,303)**	(6,924)
	163,564	184,593

(b) The analysis of the amount of inventories recognised as expense and included in the consolidated statement of profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories used	**821,555**	774,938

22 CONTRACT COSTS

	2024 RMB'000	2023 RMB'000
Costs to fulfil contracts	**677,268**	805,981
Less: write-down of contract costs	**(48,385)**	(33,242)
	628,883	772,739

23 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2024 RMB'000	2023 RMB'000
Contract assets	122,610	127,811
Less: loss allowance	(613)	(639)
	121,997	127,172

The contract assets primarily relate to the Group's right to the consideration for work completed but not yet billed. The contract assets will be transferred to trade receivables when the rights become unconditional.

(b) Contract liabilities

	2024 RMB'000	2023 RMB'000
Amounts received in advance of the delivery of services	827,161	1,151,974

	2024 RMB'000	2023 RMB'000
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	821,181	881,063

Normally the Group receives advanced payments before the provision of non-clinical study services to customers. Contract liabilities represent the Group's obligations to transfer services to customers for which the Group have received advanced payments from such customers. The contract liabilities are expected to be recognised as income within three years.

24 TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**213,593**	224,602
Less: loss allowance	**(32,425)**	(18,588)
	181,168	206,014
Bills receivables	**36,835**	6,874
	218,003	212,888

The ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**125,697**	160,784
1 to 2 years	**32,182**	42,891
2 to 3 years	**23,090**	2,278
Over 3 years	**199**	61
	181,168	206,014

Trade receivables are due within 21 to 45 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 35(a).

25 PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments for purchase of inventories and receiving of services	**77,186**	110,147
Value added tax recoverable	**35,965**	16,640
Prepayments for miscellaneous expenses	**11,073**	9,838
Deposits	**8,480**	11,268
Income tax recoverable (Note 32(a))	**2,348**	937
Others	**8**	1,121
	135,060	149,951
Less: loss allowance	**(13,582)**	(881)
	121,478	149,070

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

26 FINANCIAL ASSETS AT FVTPL

	2024 RMB'000	2023 RMB'000
Non-current assets		
Equity investment in an unlisted company	**345,245**	354,639
Investments in unlisted funds	**279,729**	233,145
	624,974	587,784
Current assets		
RMB wealth management products	**1,396,123**	373,354
	2,021,097	961,138

For the detail information of the fair value measurement for these financial assets at FVTPL, please refer to Note 35(d).

27 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash at bank	**965,203**	2,862,912
Cash at bank included in the consolidated statement of financial position	**965,203**	2,862,912
Less: restricted deposits	**–**	(9,265)
Cash and cash equivalents included in the consolidated cash flow statement	**965,203**	2,853,647

27 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest-bearing borrowings RMB'000	Interest payable RMB'000	Considerations received for subscribing restricted A shares RMB'000 (Note 29)	Lease liabilities RMB'000 (Note 30)	Total RMB'000
At 1 January 2023	6,814	–	29,441	80,893	117,148
Changes from financing cash flows:					
Repayment of borrowings	(6,895)	–	–	–	(6,895)
Interest paid	–	(86)	–	–	(86)
Cancellation of restricted shares	–	–	(1,735)	–	(1,735)
Capital element of lease rentals paid	–	–	–	(24,317)	(24,317)
Interest element of lease rentals paid	–	–	–	(2,554)	(2,554)
Total changes from financing cash flows	(6,895)	(86)	(1,735)	(26,871)	(35,587)
Exchange adjustments	81	–	–	1,104	1,185
Other changes:					
Interest expenses (Note 6(a))	–	86	–	3,056	3,142
Capitalisation of new leases	–	–	–	11,729	11,729
Termination of leases	–	–	–	(486)	(486)
Unlock of restricted shares	–	–	(11,220)	–	(11,220)
Effects of payments of dividend for restricted shares	–	–	(117)	–	(117)
Total other changes	–	86	(11,337)	14,299	3,048
At 31 December 2023 and 1 January 2024	–	–	16,369	69,425	85,794

27 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Interest-bearing borrowings RMB'000	Interest payable RMB'000	Considerations received for subscribing restricted A shares RMB'000 (Note 29)	Lease liabilities RMB'000 (Note 30)	Total RMB'000
Changes from financing cash flows:					
Cancellation of restricted shares	–	–	(16,369)	–	(16,369)
Capital element of lease rentals paid	–	–	–	(25,870)	(25,870)
Interest element of lease rentals paid	–	–	–	(2,874)	(2,874)
Total changes from financing cash flows	–	–	(16,369)	(28,744)	(45,113)
Exchange adjustments	–	–	–	569	569
Other changes:					
Interest expenses (Note 6(a))	–	–	–	2,448	2,448
Capitalisation of new leases	–	–	–	21,639	21,639
Termination of leases	–	–	–	(4,363)	(4,363)
Total other changes	–	–	–	19,724	19,724
At 31 December 2024	–	–	–	60,974	60,974

(c) Total cash outflow for leases

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**9,319**	7,305
Within financing cash flows	**28,744**	26,871
	38,063	34,176

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rentals paid	**38,063**	34,176

28 TRADE PAYABLES

	2024 **RMB'000**	2023 RMB'000
Trade payables	**50,222**	43,323

At 31 December 2024, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 1 year	**47,904**	42,778
1 to 2 years	**2,318**	545
	50,222	43,323

As at 31 December 2024, all trade payables of the Group are expected to be settled within one year or are payable on demand.

29 OTHER PAYABLES

	2024 **RMB'000**	2023 RMB'000
Payables for staff related costs	**103,371**	106,583
Payables for acquisition of property, plant and equipment	**60,810**	67,813
Payables for other taxes	**6,272**	7,641
Considerations received from employees for subscribing restricted shares of the Company under share incentive scheme	**–**	16,369
Others	**1,837**	4,809
	172,290	203,215

All the other payables are expected to be settled within one year or are repayable on demand.

30 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities.

	2024		2023	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**39,374**	**40,111**	27,500	28,046
After 1 year but within 2 years	**19,548**	**20,653**	27,111	28,715
After 2 years but within 5 years	**957**	**1,125**	13,598	15,241
After 5 years	**1,095**	**1,990**	1,216	2,204
	21,600	**23,768**	41,925	46,160
	60,974	**63,879**	69,425	74,206
Less: total future interest expenses		**(2,905)**		(4,781)
Present value of lease obligations		**60,974**		69,425

(Expressed in RMB unless otherwise indicated)

31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share options/restricted shares

(i) The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**RMB47.91**	**818,888**	RMB47.90	1,238,675
Cancelled during the year	**RMB47.91**	**(818,888)**	RMB47.89	(419,787)
Outstanding at the end of the year		**–**	RMB47.91	818,888
Exercisable at the end of the year		**–**		–

On 30 October 2023, the Board of Director approved the resolution on cancellation of all outstanding share options with a total of 419,787 options except the 3rd tranche of the options under the 2020 Share Option Scheme remaining outstanding, which were also cancelled in 2024.

(ii) Set out below are details of the movements of the restricted shares:

	2024	2023
Outstanding at 1 January	**–**	516,113
Effect of issuance of shares under bonus issue	**–**	117,533
Unlocked during the year	**–**	(187,880)
Cancelled/Lapsed of restricted shares	**–**	(445,766)
Outstanding at 31 December	**–**	–

On 27 April 2023, the Company approved the resolution on cancellation of part of the restricted shares under the 2021 Restricted A Share Incentive Scheme and decided to cancel a total of 31,108 outstanding restricted shares and completed in 2023.

On 6 July 2023, the repurchase and cancellation of 3,293 A Shares granted under the 2019 Share Option and Restricted Share Award Scheme was completed.

On 30 October 2023, the Company decided to terminate the 2021 Options Incentive Scheme and all its related shares have been lapsed with a total of 411,365 shares, which was completed in 2024.

31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Upon cancelation, the Group recognized immediately the amount of the expense that would otherwise have been recognized over the remainder of the vesting period. So the Group has recognised share-based payment expenses of nil during the year ended 31 December 2024 (2023: RMB6,028,000).

32 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2024 **RMB'000**	2023 RMB'000
Net balance of income tax payable at 1 January	**40,416**	55,879
Provision for the year (Note 7(a))	**74,561**	137,259
Income tax paid	**(95,804)**	(152,722)
Net balance of income tax payable at 31 December	**19,173**	40,416
Represented by:		
Income tax recoverable included in prepayments and other receivables (Note 25)	**(2,348)**	(937)
Income tax payable	**21,521**	41,353
	19,173	40,416

32 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) Movements of each component of deferred tax assets and liabilities

The deferred tax assets/(liabilities) recognised in the statement of financial position and the movements during the year are as follows:

	Assets							Liabilities						
Deferred tax arising from:	Unused tax losses RMB'000	Credit loss allowance RMB'000	Deferred income RMB'000	Equity settled share-based payments RMB'000	Lease RMB'000	Others RMB'000	Subtotal RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Changes in fair value of financial assets RMB'000	Accelerated tax allowance for depreciation expenses RMB'000	Changes in fair value of biological assets RMB'000	Lease RMB'000	Subtotal RMB'000	Total RMB'000
At 1 January 2023	19,438	1,275	5,246	1,647	12,952	3,971	44,529	(14,907)	(20,430)	(23,530)	(129,376)	(11,916)	(200,159)	(155,630)
Credited/(charged) to profit or loss (Note 7(a))	(9,232)	1,317	(417)	(1,543)	(2,735)	5,075	(7,535)	1,499	(4,656)	(1,839)	31,497	2,895	29,396	21,861
Credited to the reserve	-	-	-	(104)	-	-	(104)	-	-	-	-	-	-	(104)
Charged to other comprehensive income (Note 10)	-	-	-	-	-	-	-	-	(168)	-	-	-	(168)	(168)
Exchange adjustments	283	2	-	-	7	-	292	(139)	-	(202)	-	-	(341)	(49)
At 31 December 2023 and 1 January 2024	**10,489**	**2,594**	**4,829**	**-**	**10,224**	**9,046**	**37,182**	**(13,547)**	**(25,254)**	**(25,571)**	**(97,879)**	**(9,021)**	**(171,272)**	**(134,090)**
Credited/(charged) to profit or loss (Note 7(a))	**(304)**	**2,030**	**(302)**	**-**	**(1,367)**	**3,433**	**3,490**	**1,642**	**1,553**	**3,242**	**28,866**	**1,484**	**36,787**	**40,277**
Charged to other comprehensive income (Note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,326**	**-**	**-**	**-**	**10,326**	**10,326**
Exchange adjustments	**153**	**2**	**-**	**-**	**75**	**23**	**253**	**(99)**	**-**	**(123)**	**-**	**(63)**	**(285)**	**(32)**
At 31 December 2024	**10,338**	**4,626**	**4,527**	**-**	**8,932**	**12,502**	**40,925**	**(12,004)**	**(13,375)**	**(22,452)**	**(69,013)**	**(7,600)**	**(124,444)**	**(83,519)**

32 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliations to the statement of financial position

	2024 RMB'000	2023 RMB'000
Net deferred tax asset in the consolidated statement of financial position	**33,356**	28,251
Net deferred tax liability in the consolidated statement of financial position	**(116,875)**	(162,341)
	(83,519)	(134,090)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB428,198,000 as at 31 December 2024 (2023: RMB308,391,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction/entity.

Such cumulative tax losses will be carried forward and expire in years as follows:

	2024 RMB'000	2023 RMB'000
Year of 2024	**–**	9,847
Year of 2025	**12,277**	17,594
Year of 2026	**29,729**	32,736
Year of 2027	**44,108**	49,960
Year of 2028	**61,088**	63,244
After 2028	**280,996**	135,010
	428,198	308,391

33 DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
At 1 January	**74,487**	80,677
Additions	**4,462**	850
Credit to profit or loss	**(11,028)**	(7,040)
At 31 December	**67,921**	74,487

Deferred income of the Group mainly represents government grants received in relation to the acquisition of property, plant and equipment, which would be recognised in "Other gains and losses, net" over the expected useful lives of the relevant assets.

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 34(d))	Capital reserve RMB'000 (Note 34 (e)(i))	Share award reserve RMB'000 (Note 34 (e)(ii))	Statutory reserve RMB'000 (Note 34 (e)(iii))	Fair value reserve (non-recycling) RMB'000 (Note 34 (e)(v))	Retained profits RMB'000	Total equity RMB'000
At 1 January 2024	749,889	5,245,999	(146,452)	144,260	93,364	730,021	6,817,081
Changes in equity:							
Profit for the year	–	–	–	–	–	235,335	235,335
Other comprehensive income	–	–	–	–	(58,514)	–	(58,514)
Total comprehensive income for the year	–	–	–	–	(58,514)	235,335	176,821
Cancellation of restricted shares (Note 31(a)(ii))	(412)	(17,019)	17,431	–	–	–	–
Share held for Share Incentive Schemes (Note 34(b))	–	–	(93,443)	–	–	–	(93,443)
Appropriation to reserves	–	–	–	23,534	–	(23,534)	–
Dividends declared and paid in respect of the previous year (Note 34(c)(ii))	–	–	1,899	–	–	(119,634)	(117,735)
At 31 December 2024	749,477	5,228,980	(220,565)	167,794	34,850	822,188	6,782,724

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

	Share capital RMB'000 (Note 34(d))	Capital reserve RMB'000 (Note 34 (e)(i))	Share award reserve RMB'000 (Note 34 (e)(ii))	Statutory reserve RMB'000 (Note 34 (e)(iii))	Fair value reserve (non-recycling) RMB'000 (Note 34 (e)(v))	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023	535,679	5,459,006	(53,154)	119,511	92,412	721,528	6,874,982
Changes in equity:							
Profit for the year	–	–	–	–	–	247,486	247,486
Other comprehensive income	–	–	–	–	952	–	952
Total comprehensive income for the year	–	–	–	–	952	247,486	248,438
Issue of shares under bonus issue (Note 34(d))	214,244	(214,244)	–	–	–	–	–
Cancellation of restricted shares (Note 31(a)(ii))	(34)	(1,851)	1,885	–	–	–	–
Unlock of restricted shares	–	–	11,220	–	–	–	11,220
Issue of Employee Ownership Plan (Note 34(b))	–	(2,655)	5,386	–	–	–	2,731
Termination of Employee Ownership Plan (Note 34(b))	–	(172)	–	–	–	–	(172)
Share held for Share Incentive Schemes (Note 34(b))	–	–	(111,906)	–	–	–	(111,906)
Recognition of share-based payments (Note 31(b))	–	6,028	–	–	–	–	6,028
Recognition of tax effect related with share-based payments	–	(113)	–	–	–	–	(113)
Appropriation to reserves	–	–	–	24,749	–	(24,749)	–
Dividends declared and paid in respect of the previous year (Note 34(c)(ii))	–	–	117	–	–	(214,244)	(214,127)
At 31 December 2023	749,889	5,245,999	(146,452)	144,260	93,364	730,021	6,817,081

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share held for Share Incentive Schemes

During the year, 6,174,000 H shares were repurchased with amount of HKD55,735,000 (equivalent RMB50,613,000), with the highest and lowest purchase price per share at HKD12.5 and HKD6.3, respectively; 2,656,100 A shares were purchased with amount of RMB42,658,000 for purpose of share-based transactions, with the highest and lowest purchase price per share at RMB18.2 and RMB13.2, respectively. Total transaction fee was RMB172,000 for above repurchase.

In 2023, 6,573,240 H shares were repurchased with amount of HKD125,283,000 (equivalent RMB112,714,000) for purpose of 2022 H share incentive scheme, with the highest and lowest purchase price per share at HKD45.5 and HKD11.2, respectively. Total transaction fee was RMB230,000 for above repurchase. 2022 H share incentive scheme was subsequently cancelled in 2023 (see Note 31).

In 2023, the Company repurchased 68,500 A shares for 2022 A Share Employee Ownership Plan at a price of RMB78.63 per share. The price paid by the grantees of 2022 A Share Employee Ownership Plan was RMB39.87 per share. Upon receipt of the payment by grantees, the difference between the repurchase amount of RMB5,386,000 and the total amount paid by the grantees of RMB2,731,000 amounting to RMB2,655,000 was recorded in capital reserve. After the plan was cancelled in 2023 (see Note 31), the Company paid back RMB2,731,000 to the grantees and resold these shares for RMB2,559,000.

(c) Dividends

(i) Cash dividends payable to equity shareholders of the Company attributable to the year

	2024 **RMB'000**	2023 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.03 per ordinary share (2023: RMB0.16 per ordinary share)	**22,385**	119,977

The profit distribution plan is subject to the approval of the equity shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability or transferred from reserve at the end of the reporting period.

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Dividends (continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2024 **RMB'000**	2023 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.16 per ordinary share (2023: RMB0.40 per ordinary share)	**119,634**	214,244

(d) Share capital

Issued share capital

	2024		2023	
	No. of shares	**Amount RMB'000**	No. of shares	Amount RMB'000
Ordinary shares, issued:				
At 1 January	**749,888,699**	**749,889**	535,678,676	535,679
Issue of shares under bonus issue	**–**	**–**	214,244,424	214,244
Cancellation of restricted shares	**(411,365)**	**(412)**	(34,401)	(34)
At 31 December	**749,477,334**	**749,477**	749,888,699	749,889

Pursuant to the written resolutions of the shareholders of the Company passed on 9 June 2023, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, 214,244,424 shares were issued and approximately RMB214,244,000 was transferred from share premium in capital reserve to share capital.

The cancellation of 411,365 restricted A Shares under the 2021 Incentive Plan was completed in July 2024.

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

– the net proceeds received in excess of the total amount of the par value of shares issued.

– the portion of the grant date fair value of unexercised share options and unvested restricted shares granted to the employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(t)(ii).

– the difference between the total amount of the nominal value of shares issued and the amount of the net assets injected by the promoters upon the establishment of the Company.

– the difference between the consideration paid on the acquisition of non-controlling interests and the carrying amount of the non-controlling interests.

(ii) Share award reserve

The amount represents the consideration payable to the employees of the Group for restricted shares issued under the share incentive scheme before vesting conditions are met.

(iii) Statutory reserve

Pursuant to the Company's Articles of Association, the Company is required to transfer 10% of net profit (after offsetting prior year losses) in accordance with the accounting rules and regulations of the PRC to the statutory reserve until such reserve reaches 50% of the registered capital of the Company. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the Company and is non-distributable other than in liquidation.

(iv) Exchange reserve

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statement of foreign operations into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(x).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(h)(ii)).

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2024 **RMB'000**	2023 RMB'000
Total assets	**9,396,152**	10,027,159
Total liabilities	**1,316,964**	1,746,118
Gearing ratio	**14.0%**	17.4%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, contract assets and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and certificates of deposits is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of the Group, which the Group considers to represent low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2024, 3% (2023: 10%) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 14% (2023: 22%) of the total trade receivables and contract assets, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 21 to 45 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group segments its trade receivables and contract assets based on geographic regions, due to different loss patterns experienced in the different regions.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

		2024	
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Less than 90 days and not past due	**0.5**	**170,506**	**852**
Less than 90 days and past due	**2.0**	**30,101**	**602**
More than 90 days but less than 1 year	**3.6**	**50,371**	**1,829**
1 to 2 years	**11.1**	**36,200**	**4,018**
2 to 3 years	**39.5**	**38,165**	**15,075**
3 to 4 years	**90.2**	**2,027**	**1,828**
Over 4 years	**100.0**	**8,833**	**8,833**
		336,203	**33,037**

		2023	
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Less than 90 days and not past due	0.5	202,667	1,013
Less than 90 days and past due	1.8	34,813	627
More than 90 days but less than 1 year	2.8	53,619	1,503
1 to 2 years	8.0	46,621	3,730
2 to 3 years	56.5	5,237	2,959
3 to 4 years	95.9	1,478	1,417
Over 4 years	100.0	7,978	7,978
		352,413	19,227

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Movement in the loss allowance account in respect of trade receivables and contract assets of the Group during the year is as follows:

	2024 **RMB'000**	2023 RMB'000
Balance at 1 January	**19,227**	9,207
Exchange adjustments	**76**	29
Loss allowance recognised during the year	**18,920**	9,991
Write-off during the year	**(5,185)**	–
Balance at 31 December	**33,038**	19,227

Movement in the loss allowance account in respect of other receivables of the Group during the year is as follows:

	2024 **RMB'000**	2023 RMB'000
Balance at 1 January	**881**	550
Loss allowance recognised during the year	**220**	331
Loss allowance reversed during the year	**(1,101)**	–
Balance at 31 December	**–**	881

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at 31 December 2024 of the Group's interest-bearing borrowings and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest dates the Group can be required to pay:

	2024					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Lease liabilities (Note 30)	**40,111**	**20,653**	**1,125**	**1,990**	**63,879**	**60,974**

	2023					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Lease liabilities (Note 30)	28,046	28,715	15,241	2,204	74,206	69,425

The contractual cash flows of other financial liabilities equal to the carrying amount on the statement of financial position as at 31 December 2024 and 2023.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk

The Group is exposed to currency risk primarily through sales which give rise to cash, receivables and payables balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily USD and HKD.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the end of the reporting period. Differences resulting from the translation of financial statements of foreign operations into the Group's presentation currency are excluded.

	2024		2023	
	US$	**HKD**	US$	HKD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash at bank and on hand	**55,406**	**52,148**	168,943	9,270
Contract assets	**13,940**	**3**	19,367	–
Trade receivables	**40,148**	**52**	26,951	68
Trade payables	**–**	**–**	(368)	–
Other payables	**–**	**(83)**	(368)	(98)
Term deposits	**190,381**	**–**	–	–
Gross exposure arising from recognised assets and liabilities	**299,875**	**52,120**	214,525	9,240

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

		Effect on profit after tax	
	Increase/ (decrease) in foreign exchange rates	**2024**	2023
		RMB'000	RMB'000
US$	5%	**12,745**	9,117
	(5%)	**(12,745)**	(9,117)
HKD	5%	**2,215**	393
	(5%)	**(2,215)**	(393)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, and then translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency, which depends on the foreign currencies the Group is exposed to, may or may not have an effect on the Group's net assets. The analysis is performed on the same basis as 2023.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement

Fair value hierarchy

Fair values are 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.

(i) Financial assets measured at fair value

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.

	2024 Fair value measurements categorised into Level 3 RMB'000	2023 Fair value measurements categorised into Level 3 RMB'000
Equity investments in an unlisted company designated at FVOCI (Note 18)	**91,000**	159,840
Equity investments in an unlisted company at FVTPL (Note 26)	**345,245**	354,639
Investments in unlisted funds (Note 26)	**279,729**	233,145
RMB wealth management products (Note 26)	**1,396,123**	373,354

During the years ended 31 December 2024 and 2023, there were no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement (continued)

Fair value hierarchy (continued)

(i) Financial assets measured at fair value (continued)

Information about Level 3 fair value measurements

The fair value of equity investments in unlisted companies at FVOCI is determined using the price to book ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. At 31 December 2024, if the discount for lack of marketability had been one percentage point higher/lower, the Group's total comprehensive income would have been RMB918,000 lower/higher.

The fair value of equity investment in an unlisted company at FVTPL is determined based on the price to book ratio of comparable listed companies and the equity allocation model, and the fair value measurement is negatively correlated to the expected volatility. As 31 December 2024, if the expected volatility had been one percentage point higher/lower, the Group's total comprehensive income would have been RMB1,491,000 lower/higher.

The fair value of RMB wealth management products is determined by calculating based on the discounted cash flow method. The main level 3 inputs used by the Group for RMB wealth management products are the expected rates of return. As at 31 December 2024, if the expected rate of return of the investment in RMB wealth management products held by the Group had been one percentage point higher/lower, the Group's profit for the year and retained profits would have been RMB3,025,000 higher/lower.

The fair values of which are based on the net asset values of the investments in unlisted funds reported to the limited partners by the general partners at the end of the reporting period.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement (continued)

Fair value hierarchy (continued)

(i) Financial assets measured at fair value (continued)

The movements during the year in the balance of Level 1 and Level 3 fair value measurements are as follows:

	2024 **RMB'000**	2023 RMB'000
Equity investments in a listed company:		
At 1 January	**–**	27,145
Disposal of the equity investments	**–**	(27,516)
Net realised and unrealised gains or losses recognised in profit or loss during the year	**–**	371
At 31 December	**–**	–

	2024 **RMB'000**	2023 RMB'000
Equity investment in an unlisted company designated at FVOCI (Note 18):		
At 1 January	**159,840**	158,720
Changes in fair value recognised in other comprehensive income (Note 10)	**(68,840)**	1,120
At 31 December	**91,000**	159,840

	2024 **RMB'000**	2023 RMB'000
Equity investments in an unlisted company at FVTPL (Note 26)		
At 1 January	**354,639**	317,749
Net realised and unrealised gains or losses recognised in profit or loss during the year	**(9,394)**	36,890
At 31 December	**345,245**	354,639

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values measurement (continued)

Fair value hierarchy (continued)

(i) Financial assets measured at fair value (continued)

	2024 RMB'000	2023 RMB'000
Investments in unlisted funds (Note 26)		
At 1 January	**233,145**	168,174
Additions in investments	**49,900**	62,352
Net realised and unrealised gains or losses recognised in profit or loss during the year	**(3,838)**	2,433
Exchange adjustments	**522**	186
At 31 December	**279,729**	233,145

	2024 RMB'000	2023 RMB'000
RMB wealth management products (Note 26):		
At 1 January	**373,354**	381,326
Additions in investments	**2,755,998**	555,000
Net realised and unrealised gains or losses recognised in profit or loss during the year	**26,665**	14,560
Disposal of financial assets	**(1,759,894)**	(577,532)
At 31 December	**1,396,123**	373,354

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

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

36 COMMITMENTS

Capital commitments outstanding at 31 December 2024 and 2023 not provided for in the consolidated financial statements were as follows:

	2024 **RMB'000**	2023 RMB'000
Purchase of property, plant and equipment:		
– Contracted for	**131,756**	162,725

37 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships of the related parties that had material transactions with the Group during both years:

Name of related parties	**Relationship**
Staidson (Beijing) Biopharmaceuticals Co., Ltd. ("Staidson group") 舒泰神(北京)生物製藥股份有限公司	A company controlled by the controlling shareholders
Beijing SoloBio Genetechnology Company Ltd. ("Staidson group") 北京三諾佳邑生物技術有限責任公司	A company controlled by the controlling shareholders
Staidson Biopharma Inc. ("Staidson group")	A company controlled by the controlling shareholders
Biorichland LLC	A company controlled by close family members of the controlling shareholders
BioAI Technology, Co., Ltd. ("BioAI") 生仝智能科技(北京)有限公司	A company controlled by close family members of the controlling shareholders
Beijing Heyu Pharmaceutical Technology Co., Ltd. ("Heyu group") 北京和輿醫藥科技有限公司	A company controlled by close family members of the director of the Company
Heyu (Suzhou) Pharmaceutical Technology Co., Ltd. ("Heyu group") 和輿(蘇州)醫藥科技有限公司	A company controlled by close family members of the director of the Company
Hexin (Beijing) Pharmaceutical Technology Co., Ltd. ("Hexin group") 核欣(北京)醫藥科技有限公司	A company controlled by close family members of the director of the Company

37 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Names and relationships of the related parties that had material transactions with the Group during both years: (continued)

Name of related parties	Relationship
Hexin (Suzhou) Pharmaceutical Technology Co., Ltd. ("Hexin group") 核欣(蘇州)醫藥科技有限公司	A company controlled by close family members of the director of the Company
Hexin (Heze) Pharmaceutical Technology Co., Ltd. ("Hexin group") 核欣(菏澤)醫藥科技有限公司	A company controlled by close family members of the director of the Company
Beijing Joinn Biologics Co. Ltd. ("Joinn Biologics group") 北京昭衍生物技術有限公司	A company controlled by the controlling shareholders
JOINN Biologics Inc. ("Joinn Biologics group") 昭衍生物技術有限公司	A company controlled by the controlling shareholders
Suzhou Qixi Bio-Valley Co., Ltd. ("Qixi group") 蘇州七溪生物矽谷有限公司	A company controlled by the controlling shareholders
Suzhou Qixi Operation Management Co., Ltd. ("Qixi group") 蘇州七溪運營管理有限公司	A company controlled by the controlling shareholders
Yizhao (Beijing) Pharmaceutical Technology Co., Ltd. ("Yizhao") 熠昭(北京)醫藥科技有限公司	A company controlled by the controlling shareholders

37 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with related parties

	2024 **RMB'000**	2023 RMB'000
Sales of research models to Staidson group	**900**	–
Provision of services to Staidson group (i)	**21,972**	74,192
Provision of services to Joinn Biologics group	**996**	507
Provision of services to Heyu group	**–**	93
Provision of services to Hexin group	**834**	–
Purchase of services from Qixi group	**319**	4,536
Purchase of services from BioAI (ii)	**9,043**	2,621
Purchase of services from Joinn Biologics group	**833**	428
Lease expenses of offices from Yizhao	**423**	147
Lease expenses of offices from Joinn Biologics group	**17**	–
Lease expenses of offices from Qixi group	**95**	–

(i) In the year 2024 and 2023, the Company provided Non-clinical studies services and Clinical trial and related services to Staidson group.

(ii) In the year 2024 and 2023, the Company purchased the research and development services for a laboratory analysis system from BioAI.

37 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Leasing arrangements

In 2021, the Group entered into a lease agreement in respect of certain premises including research model facilities, laboratories and office, together with all equipment to be used for research and development space, from Biorichland LLC.

At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of USD6,025,000, which is equivalent to RMB43,320,000. The rental paid/payable by the Company in 2024 amounted at USD1,344,000, which is equivalent to RMB9,558,000.

In 2023, the Group entered into a lease agreement in respect of office to be used for filling, from Joinn Biologics group.

At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB2,429,000. The rental paid/payable by the Company in 2024 amounted at RMB891,000.

In 2023, the Group entered into a lease agreement in respect of buildings, from Qixi group.

At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB7,563,000. The rental paid/payable by the Company in 2024 amounted at RMB2,894,000.

In 2024, the Group entered into five lease agreements for offices from Joinn Biologics group.

At the commencement date of the lease, the Group recognised five right-of-use assets and five lease liabilities of RMB21,639,000. The rental paid/payable by the Company in 2024 amounted at RMB1,090,000.

37 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Balances with related parties

The Group's balances with related parties as at the end of reporting period are as follows:

	2024 **RMB'000**	2023 RMB'000
Contract assets	**1,130**	15,834
Trade and bills receivables	**29,028**	29,944
Prepayment and other receivables	**1,772**	3,214
Contract liabilities	**8,442**	12,612
Trade payables and other payables	**559**	53

The balances with related parties disclosed above are trade in nature.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9 is as follows:

Total remuneration is included in "staff costs" in Note 6(b).

	2024 **RMB'000**	2023 RMB'000
Short-term employee benefits	**11,895**	14,172
Retirement scheme contributions	**319**	423
Share-based payments	**–**	170
	12,214	14,765

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions for the year ended 31 December 2024 included in Notes 37(b) and 37(f) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Connected and Continuing Connected Transactions of the Report of Directors.

38 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		**109,647**	103,580
Intangible assets		**15,167**	14,991
Investments in subsidiaries	15	**3,441,601**	3,154,682
Interest in an associate		**–**	19,529
Financial assets at FVOCI		**91,000**	159,840
Financial assets at fair value through profit or loss ("FVTPL")		**590,337**	550,599
Certificates of deposit and term deposits		**1,548,304**	–
Other non-current assets		**975**	1,320
Deferred tax assets		**3,308**	2,975
		5,800,339	4,007,516
Current assets			
Inventories		**16,841**	15,226
Contract costs		**122,604**	187,006
Contract assets		**46,291**	46,100
Trade and bills receivables		**46,960**	47,307
Prepayments and other receivables		**50,715**	63,925
Financial assets at FVTPL		**120,621**	373,354
Certificate of deposit and term deposits		**689,578**	1,511,463
Cash at bank and on hand		**457,659**	1,729,736
		1,551,269	3,974,117
Current liabilities			
Trade payables		**50,313**	25,936
Contract liabilities		**183,918**	270,565
Other payables		**283,040**	811,750
Lease liabilities		**8,977**	1,094
Income tax payable		**6,287**	9,789
		532,535	1,119,134
Net current assets		**1,018,734**	2,854,983
Total assets less current liabilities		**6,819,073**	6,862,499
Non-current liabilities			
Lease liabilities		**5,824**	1,362
Deferred tax liabilities		**17,461**	30,131
Deferred income		**13,064**	13,925
		36,349	45,418
NET ASSETS		**6,782,724**	6,817,081
CAPITAL AND RESERVES	35		
Share capital		**749,477**	749,889
Reserves		**6,033,247**	6,067,192
TOTAL EQUITY		**6,782,724**	6,817,081

(Expressed in RMB unless otherwise indicated)

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The directors consider the immediate and ultimate controlling parties of the Group at 31 December 2024 to be Ms. Feng Yuxia and Mr. Zhou Zhiwen.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in the consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.