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JOINN

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

2023 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 2023
"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
Mr. Gao Dapeng
Ms. Sun Yunxia
Dr. Yao Dalin

Non-executive Director

Mr. Gu Xiaolei (resigned on 27 April 2023)

Independent Non-executive Directors

Mr. Sun Mingcheng
Dr. Zhai Yonggong
Mr. Ou Xiaojie
Mr. Zhang Fan

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

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, 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. Sun Mingcheng *(Chairperson)*
Dr. Zhai Yonggong
Mr. Zhang Fan

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ou Xiaojie *(Chairperson)*
Mr. Sun Mingcheng
Mr. Zuo Conglin

NOMINATION COMMITTEE

Dr. Zhai Yonggong *(Chairperson)*
Mr. Ou Xiaojie
Ms. Feng Yuxia

STRATEGIC DEVELOPMENT COMMITTEE

Ms. Feng Yuxia *(Chairperson)*
Mr. Zuo Conglin
Ms. Sun Yunxia
Mr. Ou Xiaojie

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				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**2,376,487**	2,267,971	1,516,680	1,075,905	639,379
Gross profit	**979,393**	1,081,428	735,678	550,625	328,786
Profit for the year	**391,553**	1,073,200	556,417	311,564	187,677
Profit for the year attributable to equity shareholders of the Company	**396,993**	1,074,257	557,460	312,950	187,838
Profitability					
Gross profit margin	**41.21%**	47.68%	48.51%	51.18%	51.42%
Profit margin for the year	**16.48%**	47.32%	36.69%	28.96%	29.35%
Earnings per share*					
Basic (RMB)	**0.53**	1.44	0.77	0.51	0.30
Diluted (RMB)	**0.53**	1.43	0.76	0.50	0.30

	At 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**10,027,159**	10,364,216	8,537,077	2,172,902	1,570,141
Total liabilities	**1,746,118**	2,173,350	1,392,641	951,093	720,196
Net assets	**8,281,041**	8,190,866	7,144,436	1,221,809	849,945
Equity attributable to the equity shareholders of the Company	**8,279,316**	8,183,701	7,136,214	1,222,544	849,200

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

Chairperson's Statement

Dear Shareholders,

In 2023, the domestic biopharmaceutical industry as a whole was undergoing a profound adjustment due to the combined effects of various factors. 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. To adapt to the changing industry trends, the Company restructured its organisational structure during the Reporting Period in order to better support the implementation of strategies of the Company. Focusing on the core business of non-clinical evaluation of drugs, the Company has continuously carried out capacity building and technological upgrading in various fields in order to consistently strengthen its core competitiveness. Moreover, the Company has been actively expanding and improving its upstream and downstream business capabilities to further enhance its one-stop service standards.

During the Reporting Period, the Company achieved revenue of RMB2.376 billion, and net profit from laboratory services of RMB473 million. As of the end of the reporting period, the overall orders on hand of the Company were approximately RMB3.3 billion.

The year 2024 will be 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 2024

Management Discussion and Analysis

I. BUSINESS OVERVIEW

(I) Staff Building

In response to the evolving industry landscape, the Company has restructured its organizational framework and implemented the division-based management system. Based on the business division, the Company has revised several management systems to better support the implementation of the Company's strategy and the development needs of the business division, thereby providing clearer and more tailored support of the division-based management system in line with the business development needs. Meanwhile, the Company has attracted and introduced senior executives and experts to improve the Company's management level and professional skills to provide more efficient services to customers. In terms of talent cultivation, the Company has improved its training system by further divisionalizing the training system to ensure that the talents cultivated are more suitable for the development needs of each division, and has actively applied for various national and regional talent policies to ensure the long-term stability of the talent pool. As at 31 December 2023, the Company had a professional service team of 2,510 employees.

(II) Production Capacity Building

The construction of JOINN Suzhou's Phase II 20,000 square meter facilities has been topped out and the design and planning of such facilities fully combines the conditions of existing facilities and changes in demand for future development of the Company. This construction has more reasonable layout and better functions. The construction of the new facilities will further improve the Company's business throughput, which would safeguard future business execution and performance growth. Meanwhile, in order to better facilitate business development and provide a more comfortable living and working environment for employees, JOINN Suzhou commenced the construction of a 22,000 square meter ancillary facility, which would functionally support the operation needs in many aspects. It is expected to be completed and put into use in 2024.

In accordance with the strategic planning and business needs of the Company, the construction of JOINN's drug safety assessment center in Guangzhou is currently progressing in an orderly manner.

The construction of the Non-GLP laboratories of JOINN Express & Collabo Laboratories, a wholly-owned subsidiary focusing on new drug screening, has been completed and put into operation.

(III) Business Capacity Development

1. Drug Non-clinical Business:

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.

1.1 Continuous Improvement of Quality System

In 2023, JOINN Suzhou successfully passed the OECD GLP periodic certification inspection, as well as the quality management system certification, environmental management system certification and occupational health and safety management system certification. Both JOINN Suzhou and JOINN Beijing have successfully passed the GLP re-inspection by the National Medical Products Administration of China (NMPA), the analysis review of biological samples for clinical trials by the NMPA, and the AAALAC re-inspection, further improving the laboratory quality system and animal welfare.

1.2 Further Enhancement of Business Capabilities

In terms of the evaluation of segments such as ophthalmic drugs, the Company further developed and optimized more ophthalmic disease models, including 11 models such as the benzalkonium chloride-induced mouse dry eye model, the silicone oil anterior chamber injection – induced mouse hypertension model, the sodium iodate-induced mouse retinal pigmentation model, the New Zealand rabbit corneal stromal clouding model, the Dl-a – AAA-induced monkey RNV model, the MNU-induced monkey retinopathy model, the laser photocoagulation – induced crab-eating macaque retinopathy atrophy model, and the spontaneous age-related crab-eating macaque eye disease model, and also established new evaluation indicators and examination methods of ophthalmic drugs, including the detection of complement activation – related indicators (q-PCR/ELISA/IHC) in animal eye tissues and quantitative analysis of OCTA images in non-human primates, etc.

For the animal behavioral evaluation of psychotropic drugs, in order to overcome the drawbacks of traditional behavioral evaluation methods, such as strong subjectivity, poor reproducibility, time-consuming and labor-intensive, the Company applied fully automated behavioral testing systems based on AI and behavioral genomics to the evaluation of a variety of CNS disease models such as Alzheimer's disease, Parkinson's disease and pains, which supported the non-clinical filing of a number of cutting-edge drugs, such as cell therapy and gene therapy drugs. At the innovation level of drug delivery technology, the use of MRI – guided brain stereotactic localization injection is more accurate than traditional brain map-guided injections, achieved 100% accuracy, and greatly improved the efficiency of the test; Meanwhile, new evaluation models have been established, including the rat collagenase-induced cerebral hemorrhage model, the kain-ic acid-induced SD rat temporal lobe epilepsy model, and the MK801-induced schizophrenia model, etc., laying the foundation for a more comprehensive evaluation of diseases of the central nervous system.

In terms of the cardiovascular drug evaluation, the Company developed and established the myocardial infarction efficacy model for rodent research models based on the traditional myocardial infarction model of non-rodent research models; meanwhile, the Company established the model of pulmonary hypertension in rodent normobaric hypoxic chamber.

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 recent years, the Company has responded to market demand by conducting thorough research and making breakthrough progress in the safety evaluation of otology drugs, and has successfully established auditory electrophysiology test methods for research models related to otology drugs, and made a breakthrough in the development of round window inner ear dosage technology, surpassing the conventional outer and middle ear administration, which further enhanced and improved the evaluation methods and technology for otology drugs.

To meet the market demand of pharmaceutical research and development, the Company has established a specific in vitro drug metabolism evaluation system for oligonucleotide drugs and coupled drugs, based on the established in vitro metabolism platform for small molecule chemical drugs and focusing on the characteristics of oligonucleotide drugs and coupled drugs. Regarding large molecule drugs, the Company has also established multiple biological analysis and evaluation platforms, ranging from a single ELISA platform to various qPCR, ELISPOT, WB, Flow and other platforms nowadays, with comprehensive capabilities covering viral carriers, cells (PBMC, CAR-T, MSC, TCR-T, NK, TIL), nucleic acids (mRNA, siRNA, etc.), protein drugs (fusion proteins, monoclonal antibodies, double antibodies, ADCs, peptides, etc.), and other drugs. Numerous technical innovations have been made in analytical methods, such as the "Development of Methods for Anti-Stem Cell Antibodies and Multi – Antigen Antibodies Based on the MSD Platform", the "Detection and Application of Vertical Transmission in the Safety Evaluation of Gene Therapy Products", the "Development of Highly Sensitive qPCR Detection Methods Based on the MGB Probe", and the "Analysis Methods for the Immunogenicity of siRNA Drugs Based on the ELISA Platform".

2. *Aspects of drug clinical trial services:*

2.1 Clinical CRO services

The Company's clinical service segment continued to strengthen its advantages in the field of phase I clinical, and constantly promoted its phase II and III clinical business. The Company broke through the pain points of the industry, built a high-quality service team, and ploughed deeply into the special areas of gene drugs, rare diseases, reproduction, gynaecology, pediatrics, nuclear drugs and so on. We provided one-stop clinical operation services covering registration application, medical writing, project management and pharmacovigilance. Through the seamless connection from non-clinical research to clinical research, the Company improved the one – time passing rate of review, saving a lot of time for project progress, reducing customers' R&D costs and management costs, and improving customer experience.

2.2 Clinical Testing Services

The Company's clinical sample testing segment 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 and innovative small molecule drugs, etc. The service capacity and quality was continuously improved and we successfully passed the CNAS 17025 supervisory review; passed a number of inter-room quality assessments by the National Centre for Clinical Laboratories, a number of proficiency validating projects of College of American Pathologists (CAP), and a number of proficiency validating projects of the China Academy of Food and Drug Administration; We assisted with the inclusion of the first mRNA vaccine for emergency use in China and the approval of being launched into the market and the submission of NDA applications for several projects; and assisted with the first patient drug delivery for a number of innovative gene therapy products; The Company established and validated cellular immunity solutions, which helped cellular immunity studies for a number of prophylactic biologics and therapeutic oncology vaccines (both non-individualized and individualized); and facilitating the biospecimen analysis of international multi-center clinical trials; added a new pathological testing platform to improve our biomarker testing capabilities. "JOINN Clinical Testing" is committed to becoming a world-class clinical testing platform, providing one-stop clinical trial sample testing services for domestic and global innovative drug varieties.

In addition, the Company set up a detection platform for drug transporters and metabolizing enzymes' endogenous substrates, which can be used for early clinical DDI risk assessment. The Company also established the ability to detect immunogenicity of cell-based products in the clinic, the related detection ability of AAV products, and the ability to freeze and separate PBMC samples in the clinical trials of gene therapy and vaccine products, which simplified the operation of the clinical trials and also reduced the error of the experimental results brought by the operation by mistakes.

3. *Experimental Model Study:*

In 2023, the Company created a variety of gene editing mouse models and cell models, and applied for two patents, including immunodeficiency models, tumor – bearing mouse models, humanized mouse models of immune system, which have been rolled out to the market to serve enterprises and universities in non-clinical research. In addition, we successfully established mitochondrial gene editing, artificial placenta (tetraploid compensation technology) and lone female/male mouse stem cell platforms, which can provide customers with a variety of mature models and model customization services. Combined with the above technologies, we were actively developing the nanobody mouse platform and obtained the first – generation Nanobody mice. In term of large animals, the Company completed the breeding of gene-edited dog strains and all the phenotyping work, all phenotypes met the application standards, established the standardized process of phenotyping, and entered into sales cooperation with customers to carried out the customization of large animal models and technical services.

In addition to gene editing models, the Company continued its endeavor to maintain high quality and high standards of existing key experimental models. In 2023, the overall stock of non-human primate experimental models maintained steady growth to continue to maintain a high level of breeding and management, and the main management indicators was further upgraded and optimised. At the same time, we carried out exploration work on the elderly experimental model, providing important data support for the subsequent development of related outsourcing services.

4. *Drug quality research and testing business:*

Primarily aimed at the quality research and testing of innovative drugs such as protein drugs, therapeutic vaccines, gene and cell therapy products, etc. at present, it set up a high-level technical team of more than 40 people, established in – vivo experimental animal laboratories and P2 clean laboratories in Suzhou, and bioassay and physicochemical analysis laboratories in Beijing. The Company also participated in a national key R&D programme project led by CIQ, and jointly undertook with CIQ the research task of CGT of Beijing Municipal Science and Technology Commission – "Construction of key technology and service platform for quality control of genetically modified immune cells and gene therapy drugs", and established a key technology platform for quality research of biotechnology drugs, and applied for and obtained 5 patents (of which 3 have been disclosed), and the major testing methods passed the CNAS certification. At present, the Company had the ability to research and test the quality standard of biotechnology drugs, with the scope of business covering: cell bank toxicity library testing, virus removal and inactivation process verification, gene and cell therapy product testing, recombinant protein drugs and antibody drugs biological activity and structure characterization analysis, and the establishment of transgenic cell activity assay methods, etc.; We issued many test reports for CHO/3T3 cell banks, stem cell products, NK cell products, and Tenecteplase activity standards collaborative calibration and in-vivo animal test reports.

(IV) Implementation of Featured Experiments

In 2023, the Company was committed as usual to the quality of the experiments by strengthening the standardization of experimentation operation and ensuring the authenticity and accuracy of data. Based on the above, the Company optimised and integrated the technical staff, and deployed experienced professionals to control the quality of the experimental program design and report writing, so as to fully ensure the scientificity and unity of the projects. Meanwhile, the Company further optimized the project management process with an effort to ensure that all businesses are carried out in a more reasonable and orderly manner, and to improve customer' satisfaction. Starting from many aspects, such as management and technological innovation, the Company provided solid support for the increasing business demand. As of the end of the reporting period, the Company maintained a steady growth trend as to the numbers of ongoing projects. The overall orders on hand were approximately RMB3.3 billion, providing guarantee for future performance.

(V) Marketing

In 2023, the domestic pharmaceutical industry as a whole was in a downturn due to the combined effects from various factors. Against this backdrop, there were some fluctuations in the orders placed with the Group. However, the Company adjusted its marketing strategy in a timely manner and continued to strengthen its innovation in technology and business areas. During the Reporting Period, the Group's overall signed orders amounted to approximately RMB2.3 billion. The highlights of the Company's marketing efforts were manifested as follows:

1. Actively exploring customers, the number of new customers increased by approximately 30% year-on-year, and the number of orders from key customers maintained steady growth. Especially after entering into the fourth quarter, the Company maintained a recovery trend in the number of new projects signed on a month-on-month basis.

2. The number of new projects signed for inhalation, CNS platform (including migraine drugs), PROTAC/molecular gel, etc. remained stable, and the number of special tests for carcinogenicity, reproduction, dependence, etc. increased, which reflected the full recognition of customers for the Company's experience in difficult toxicity evaluations.

3. The Company continuously strengthened the systematic evaluation capacity of peptide drugs, and the number of GLP-1 single-target, double-target and triple-target glucose-lowering and weight-loss drugs and peptide drugs in the field of other disease increased significantly.

4. The number of newly undertaken monoclonal antibodies and multi-specific antibodies for innovative targets and antibody-coupled drugs for innovative toxins continued to increase.

5. Overseas subsidiaries maintained stable operation, with orders signed for 2023 amounting to approximately RMB340 million.

II. 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 2023 was RMB2,376.5 million, representing an increase of 4.8% compared to RMB2,268.0 million for the year ended 31 December 2022. Our revenue remained relatively stable for the year ended 31 December 2023.

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Non-clinical studies services	**2,308,999**	**97.1**	2,213,598	97.6
Clinical trial and related services	**63,424**	**2.7**	49,568	2.2
Sales of research models	**4,064**	**0.2**	4,805	0.2
Total Revenue	**2,376,487**	**100.0**	2,267,971	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 2023 was RMB1,397.1 million, representing an increase of 17.7% compared to RMB1,186.5 million for the year ended 31 December 2022, the increase was primarily due to the increase of labor costs.

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 2023, the gross profit and gross profit margin was RMB979.4 million and 41.2%, respectively, as compared to RMB1,081.4 million and 47.7%, respectively, for the year ended 31 December 2022. 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 2023, primarily due to the intensifying competition in the market.

Other Gains and Losses, Net

For the year ended 31 December 2023, other gains and losses, net was RMB240.5 million, represent an increasing of 5.7% as compared to RMB227.6 million for the year ended 31 December 2022. Our other gains and losses, net remained relatively stable for the year ended 31 December 2023.

(Losses)/Gains 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 RMB288.8 million arising from changes in fair value of biological assets for the year ended 31 December 2023, as compared to gains of RMB333.1 million for the year ended 31 December 2022. The loss was primarily due to the decrease in the unit fair value of biological assets, which is consistent with the decrease in the market value of the research model.

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 2023 was RMB24.6 million, representing an increase of 36.7% compared to RMB18.0 million for the year ended 31 December 2022. The increase was primarily due to the increase in participation in the exhibition, the increase in travel and business entertainment expenses.

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, equity-settled share-based payment expenses, and others. The Group's general and administrative expenses for the year ended 31 December 2023 was RMB296.5 million, representing a decrease of 1.1% compared to RMB299.9 million for the year ended 31 December 2022. Our general and administrative expenses remained relatively stable for the year ended 31 December 2023.

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 2023 was RMB96.9 million, representing an increase of 24.2% compared to RMB78.0 million for the year ended 31 December 2022. The increase was primarily due to the increase in investment in research and development continuously.

Finance Costs

The Group's finance costs for the year ended 31 December 2023 was RMB3.1 million, representing a decrease of 12.3% compared to RMB3.6 million for the year ended 31 December 2022. Our finance costs remained relatively stable for the year ended 31 December 2023.

Income Tax Expense

The Group's income tax expense for the year ended 31 December 2023 was RMB115.4 million, representing a decrease of 30.8% compared to RMB166.8 million for the year ended 31 December 2022. The decrease was primarily due to the decreased profits.

The Group's effective tax rate for the year ended 31 December 2023 was 22.8% (for the year ended 31 December 2022: 13.5%). The increase was primarily due to the 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 63.5% from RMB1,073.2 million for the year ended 31 December 2022 to RMB391.6 million for the year ended 31 December 2023. Our net profit margin decreased from 47.3% for the year ended 31 December 2022 to 16.5% for the year ended 31 December 2023. The decrease in net profit was primarily due to reasons as follows:

- The gross profit decreased by 9.4% from RMB1,081.4 million for the year ended 31 December 2022 to RMB979.4 million for the year ended 31 December 2023. The decrease was primarily due to the intensifying competition in the market.

- The net loss arising from the changes in fair value of biological assets during the current period amounted to RMB267.1 million. The loss was primarily due to the decrease in the unit fair value of biological assets, which is consistent with the decrease in the market value of the research model.

BIOLOGICAL ASSETS

Information about the Independent Appraiser of Our Biological Assets

For the year ended 31 December 2023, 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 2023, there were around 26,000 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

In arriving at the assessed value, two generally accepted approaches have been considered, namely, the market approach and depreciated replacement cost approach.

A market approach is adopted to value non-human primate research models at the age of 5 or lower, which is usually used for experiment. This approach was adopted because recent market prices for this age group of non – human primate research models exist near the valuation dates. The fair values of non-human primate research models at the age of 5 or lower were developed through the application of market approach with reasonable adjustments to reflect age differences.

A depreciated replacement cost approach is adopted to value non-human primate research models at the age above 5 for males and females respectively, which can be used for both breeding and experiment while predominantly are used for breeding according to the market practice, since there are no active market for these age group. The valuation of this age group was arrived based on the market prices of non-human primate research models at the age of 5 with adjustment for the reduction or consumption of breeding useful lives of the non-human primate research models, as well as reasonable adjustment to reflect gender differences.

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 2023 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)	(233,526)	(155,684)	(77,842)	77,842	155,684	233,526
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)	(208,024)	(138,684)	(69,341)	69,341	138,684	208,024
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)	134,977	89,762	44,771	(44,549)	(88,877)	(132,983)
Change in end of the breeding useful lives (%)	–30%	–20%	–10%	10%	20%	30%
Change in fair value of the Subject (RMB’000)	(133,239)	(90,233)	(47,442)	48,233	97,836	144,029

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 2023 were RMB2,862.9 million, representing a decrease of 1.8% compared to RMB2,916.8 million for the year ended 31 December 2022. The Group’s cash and cash equivalent remained relatively stable.

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 December 31, 2023, the gearing ratio, calculated as total liabilities over total assets, was 17.4%, as compared with 21.0% as at December 31, 2022. The decrease was primarily due to the decrease in contract liabilities which represent amounts received in advance from the customers and payment of consideration payable of the acquisition of Guangxi Weimei and Yunnan Yinmore.

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 2023, there was no material charge on assets of the Group.

Contingent Liabilities

As of 31 December 2023, 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, preferred shares and gross obligation from share purchase option written 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 2023 to the date of this report.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Development strategy of the Company

The overall development strategy of the Company is: the non-clinical pharmacology and toxicology evaluation business is the core business, and the Company will steadily increase its market share and overseas influence; focusing on its core business, the Group will actively expand its upstream and downstream business capabilities, including early-stage drug discovery business, drug screening and drugability evaluation business, cell verification business, clinical CRO business, clinical testing business, etc., expand the scale and production capacity of research model production, create a unique gold industry chain of non-clinical safety evaluation, clinical trial and related services and high-quality research model supply, and provide one-stop services; guided by the market demand, actively develop new technologies and new methods to meet the needs of innovative drugs, and form new service advantages; further enhance our international service capabilities and participate in global competition; develop the Company into a comprehensive CRO with international competitiveness.

(II) Business Plan

1. Non-clinical CRO Business

(1) Relying on the Company's operation and management experience and professional and technical capabilities, giving full play to the existing competitive advantages, continuously establishing new technologies and new methods for improving service quality, continuously improving the internal management system for improving service efficiency, further expanding production capacity for improving performance goals, optimising personnel team, and continuously consolidating and improving the Company's market share and leading position in the field of non-clinical drug research services. In 2024, the Company will continue to improve its pharmacology and toxicology research and evaluation capabilities, enhance project management capabilities and operational efficiency, ensure the smooth operation of new experimental facilities, continuously improve the GLP system, improve the compliance level of regulations, and ensure the smooth and compliant operation of various tasks.

(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 new targets and new technology drugs; enhance drug screening capabilities, offer comprehensive biological services and solutions, keep pace with domestic and international trends and hotspots in new drug development, provide high-throughput screening and customized services tailored to clients' needs, stay close with clients throughout their research and development process, and establish a rapid and efficient screening platform. For those fields where the Company has insufficient accumulation and business capabilities that require urgent enhancement, the Company will rapidly establish research and development capabilities through mergers and acquisitions, equity participation, business cooperation and other methods, to occupy the market and form new profit growth points.

(3) The Company will actively introduce more industry experts and technical personnel with overseas work experience to join the domestic team to improve the international business capabilities of the domestic team; expand the scale of the laboratory in the United States, broaden the scope of services, increase business throughput, and serve the research and development needs of more local research and development institutions; increase investment in offshore outsourcing business so as to attract more overseas business and customers to enter China.

(4) A sufficient number of qualified technical and management teams are the foundation of the Company's operation. In 2024, the Company will continue to increase its investment in human resources, increase its efforts in recruitment, focus on the introduction and replenishment of talents for weak professions, and solve the problem of the impact of shortage of technical talents on the overall work. In addition, the Company will further improve the performance appraisal system, training system and salary and welfare system, improve the professional skills, subjective initiative and labour productivity of employees, and provide support for the Company to achieve its overall strategic goals. In 2024, the Company will continue to launch equity incentives when opportunities arise, expand the scope of equity incentives, and implement equity incentives properly to facilitate the development of the Company.

(5) Construction plan to expand production capacity: JOINN Suzhou has completed the top-out of its facilities of 20,000 square metres, and the overall planning layout has been completed. In 2024, it will be gradually put into use based on the conditions of existing facilities of the Company and the future development needs, providing a guarantee foundation for the increasing business order demand in the future. The Company's subsidiary JOINN Express & Collabo Laboratories (Suzhou) Co., Ltd. has completed the construction of its Non-GLP laboratory, which mainly focuses on drug screening and pharmacodynamics experiments. It can further expand their business scope, meet the early testing needs of customers during research and development, and increase their business throughput.

In 2024, we will accelerate the construction of the JOINN (Guangzhou) New Drug Evaluation Centre in line with our development needs.

2. *Clinical trial and related business*

Leveraging the existing non-clinical business, customer resources and in-depth understanding of drug safety of the professional technical team of JOINN Laboratories and the full understanding of GLP and GCP, the Company will rapidly develop and construct the following:

(1) Strengthening the registration team and improving the international registration capability. We will expand the size of our registration team and increase business throughput to meet the growing registration needs. In order to meet the overseas application needs of customers, the Company strives to improve the dual registration ability between China and the United States, and helped more new drug R&D enterprises complete the product export programme.

(2) Expanding clinical operation team to ensure operational delivery capability. The Group will continue to expand the clinical operation team, improve the project management ability of the operation team, improve the quality of project operation and establish a guarantee mechanism for timely delivery through efficient management and internal training system.

(3) Expanding the laboratory scale and team size of clinical testing, broaden the scope of clinical testing business, increasing the capacity and qualification of medical testing laboratories, so as to better support the development of the overall clinical business; initiating the establishment of clinical testing laboratory capabilities in the United States to better serve the sample testing needs for clinical trials conducted in the country.

(4) Brand building for early clinical trials of innovative drugs. Leveraging on the project resources of the Company's non-clinical business, the Company gives full play to the experience and advantages of the expert team, closely cooperates with more early-stage clinical bases, provides precise clinical development strategies and medical scheme design for early-stage clinical projects of innovative drugs, and helps research and development enterprises save research and development time through high-quality and efficient clinical operations, so as to facilitate the rapid entry of projects into confirmatory clinical trials.

3. *Research Model Business*

We will further optimize the non-human primate population structure to increase productivity; renovate and expand existing experimental facilities, implement scientific zoning and management; leverage the resource advantages of non-human primates to conduct screenings for drug efficacy testing models. Meanwhile, we will continue to improve the procedure-based and standardised quality assurance system for research models, strengthen talent training, and provide quality assurance and manpower support for the development of subsequent businesses.

4. Internationalisation strategy

Internationalisation is an important development strategy of the Company and also the support for the Company to maintain sustainable and rapid growth. The Company will promote its internationalisation strategy in the following aspects:

(1) BIOMERE's main business is to provide support services for early – stage drug research and development, with a good reputation and stable customer base in North America, and the major bottleneck of its development lies in the limitation of production capacity. The Company supports BIOMERE in further expanding its experimental facilities to increase the service throughput of local business in the United States and serve more customers in the United States.

(2) Strengthen the business development team building in the United States. In both BIOMERE and JOINN California, the business development team building and marketing efforts will be strengthened to leverage the brand and reputation of BIOMERE to enhance JOINN's presence in the United States and overseas.

(3) Open up upstream and downstream chains to provide customers with non-clinical one-stop services. The early-stage research and development and screening projects carried out in JOINN USA will be diverted to the domestic safety evaluation (GLP business). Leveraging on the advantages of abundant domestic experimental resources, large – scale experimental platform, high-standard quality system and rapid and efficient experimental process management, the Company provides overseas drug research and development enterprises with one-stop services with better cost-effectiveness.

(4) The Company will make use of the Hong Kong stock market platform to further expand the Company's brand awareness overseas through the capital market.

IV. 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 60, 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. Zuo Conglin (左從林), aged 60, is the vice chairperson of the Board and an executive Director of our Company. Mr. Zuo joined our Group in December 1996 and was appointed as a Director in December 2012 (re-designated as an executive Director in August 2020) and the vice chairperson of the Board in January 2019. Mr. Zuo is primarily responsible for overseeing the operations and management of our Group.

Mr. Zuo served as the general manager of our Company from March 2008 to January 2019, before which he successively served as a practice leader of our Company from December 1996 to January 2001 and a facility manager of drug safety evaluation center of our Company from February 2001 to February 2008.

Mr. Zuo possesses extensive experience in the biopharmaceutical and healthcare industries. Prior to joining our Group, he successively served as an intern researcher and an assistant researcher at Air Force Aviation Medical Research Institute (空軍航空醫學研究所) in the PRC from August 1989 to November 1996. Mr. Zuo has been serving as a council member of Chinese Society of Toxicology (中國毒理學會) since January 2009, and he currently serves as a committee member of Professional Committee of Drug Toxicology of Chinese Pharmacological Society (中國藥理學會藥物毒理專業委員會) and a standing 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).

Mr. Zuo obtained his master's degree in medicine from Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院) in China in August 1989.

Biographies of Directors, Supervisors and Senior Management

Mr. Gao Dapeng (高大鵬), aged 42, 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 56, 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.

Dr. Yao Dalin (姚大林), aged 75, is an executive Director, a senior vice general manager and the Chief Scientific Officer of our Company. Dr. Yao joined our Group in February 2012 and was appointed as a Director of the Board in January 2019 and re-designated as an executive Director in August 2020. He was appointed as a senior vice general manager in February 2012. Dr. Yao is primarily responsible for strategic planning on scientific innovations and technology advancement as well as improving the regulatory compliance of our Group.

Prior to joining our Company in February 2012, Dr. Yao served as an assistant professor at 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) from 1989 to 1990, a Visiting Scientist in the Laboratory of Experimental Neuropathology, The National Institute of Neurological Disorders and Stroke, NIH, the United States, from October 1990 to December 1995. From December 1999 to December 2011, Dr. Yao worked in the Center for Drug Evaluation and Research, U.S. Food and Drug Administration, including serving as a senior reviewer at the Division of Metabolic and Endocrine Drug Products.

Dr. Yao received his doctoral degree in medicine from Norman Bethune University of Medical Sciences (白求恩醫科大學) in China in November 1990.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Mingcheng (孫明成), aged 50, has served as an independent non-executive Director of our Company since January 2019. Mr. Sun is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

From January 2013 to August 2017, Mr. Sun was the deputy general manager, chief financial officer and secretary of the board of directors of Matt Automotive Services Co. Ltd. (麥特汽車服務股份有限公司), primarily responsible for the company's external affairs, board affairs and finance; from November 2017 to August 2021, he served as the general manager of Yangzhou Dongsheng Auto Parts Co. Ltd. (揚州東升汽車零部件股份有限公司), responsible for overall business operation; from May 2018 to present, he serves as an independent director of Hengtong Logistics Co.,Ltd. (恒通物流股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 603223); from February 2021 to present, Mr. Sun serves as an independent director of Zhejiang Meili High Technology Co.,Ltd. (浙江美力科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300611); from May 2021 to present, Mr. Sun serves as a supervisor of Beijing Yixue Thinking Education Technology Co., Ltd (北京益学思維教育科技有限公司).

Mr. Sun obtained his master's degree in engineering from Liaoning University of Engineering and Technology (遼寧工程技術大學) in China in April 2000. He subsequently received another master's degree in business management from Beijing University of Posts and Telecommunications (北京郵電大學) in China in July 2005. He has been a PhD student of accounting in the Research Institute for Fiscal Sciences of Ministry of Finance (財政部財政科學研究所), now known as Chinese Academy of Fiscal Sciences (中國財政科學研究院), since 2013. Mr. Sun 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 April 2011.

Dr. Zhai Yonggong (翟永功), aged 63, has served as an independent non-executive Director of our Company since January 2019. Dr. Zhai is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

Dr. Zhai served a visiting scholar at the University of Pittsburgh in the United States from January 2005 to January 2007. Dr. Zhai has been a professor at Beijing Normal University in China since September 2009. Since October 2021, he has been an independent director of Beijing Kangchen Pharmaceutical Co. Ltd. (北京康辰藥業股份有限公司) until now. Since March 2022, he is also an executive director of Beijing Heng Run Pusheng Biotechnology Co. (北京恒潤普生生物技術有限公司). Since May 2022, he has been acting as an independent director of Ningxia Xiaoming Agriculture and Livestock Co., Ltd. Since October 2022, he is a director of Beijing Dingchi Biotechnology Co., Ltd.

Dr. Zhai received his bachelor of agriculture degree in animal husbandry from Northwest Agricultural College (西北農學院), now known as Northwest Agriculture and Forestry University (西北農林科技大學), in China in July 1984. He obtained his master of agriculture degree in animal genetics and breeding from the same school in June 1992. He subsequently received his doctoral degree of engineering in biomedical engineering from Xi'an Jiaotong University (西安交通大學) in China in December 1999.

Mr. Ou Xiaojie (歐小傑), aged 51, has served as an independent non-executive Director of our Company since January 2019. Mr. Ou is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Group.

Mr. Ou served as a managing director at Beijing Dongfang Junhe Management Consulting Co., Ltd. (北京東方君和管理顧問有限公司) from January 2009 to May 2012. He served as a department general manager at Beijing Chinasoft International Information Technology Co., Ltd. (北京中軟國際信息技術有限公司) from August 2012 to May 2014. He successively served as a director and strategic counsel at Beijing Didaofengwu Technology Co., Ltd. (北京地道風物科技有限公司) from May 2015 to September 2017. He served as a shareholder and director at Beijing Didaofengwu Technology Co., Ltd. (北京地道風物科技有限公司) from 2015 to 2017, primarily responsible for the formulation and research of corporate development strategies. Since March 2019, Mr. Ou has been a director of Chengdu Temperature Network Technology Co. (成都溫度網絡科技有限公司); since May 2019, Mr. Ou is the director of Guangzhou Yuandian Digital Technology Co. (廣州原典數字技術有限公司).

Mr. Ou received his bachelor of engineering degree in industrial automation from Guangdong University of Technology (廣東工業大學) in China in 1999.

Mr. Zhang Fan (張帆), aged 45, 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. Since 2019, Mr. Zhang has been working at China Everbright Limited (中國光大控股有限公司) as a managing director of corporate client services department. 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 49, 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 42, 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 40, 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 Qixingtian Patent 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 42, 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 56, 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.

Dr. Yao Dalin (姚大林), aged 75, is an executive Director and a vice general manager of our Company. For the biography of Dr. Yao, please refer to "– Executive Directors" of this section.

Mr. Gu Jingliang (顧靜良), aged 44, is a vice general manager and the head of sales department of our Company. Mr. Gu is primarily responsible for overseeing the sales and marketing management of our Group.

Prior to his appointment as a vice general manager in January 2019 and the head of sales department in 2011, Mr. Gu successively served as a practice leader for drug efficacy, a practice leader for toxicology and the vice director and director of drug metabolism laboratory at our Company since he joined our Company in April 2006. He 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 is the husband of the granddaughter of Ms. Feng's aunt.

Ms. Yu Aishui (于愛水), aged 48, 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 2023. An analysis of the Group's revenue and operating profit for the year ended 31 December 2023 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 2023, 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 2023, 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 104 to 105 of this report.

The Board proposed a profit distribution plan for the year ended 31 December 2023 (the "**2023 Profit Distribution Plan**") as follows: a dividend of RMB0.16 (2022: RMB0.4) per ordinary share to shareholders on the record date for determining the shareholders' entitlement to the 2023 Profit Distribution Plan. Based on the total issued 749,888,699 Shares as of 31 December 2023, 33,214 A Shares were repurchased by the Company and ineligible for inclusion in the 2023 Profit Distribution Plan, therefore 749,855,485 Shares are eligible for the 2023 Profit Distribution Plan and the proposed final dividend in an aggregate amount was approximately RMB119,977,000 (2022: RMB214,244,000).

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 2023 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 30 August 2024.

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 2023, 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 2023, 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 35(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 35(a) to the financial statements on pages 175 to 176 of this report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB730.0 million.

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

On 30 March 2023 and 27 April 2023, the second and third meetings of the fourth session of the Board of Directors of the Company were convened respectively, at which the Board of Directors resolved and approved the proposed partial repurchase and cancellation of 3,293 restricted A Shares under the 2019 Incentive Plan and 31,108 restricted A Shares under the 2021 Incentive Plan, as well as the termination of the 2021 A Share Employee Stock Ownership Plan. The relevant repurchase and cancellation was completed on 6 July 2023 for an aggregate consideration of approximately RMB1,885,000. For details, please refer to the announcements of the Company dated 30 March 2023 and 27 April 2023 and the overseas regulatory announcement dated 3 July 2023.

On 30 October 2023, the fifth meeting of the fourth session of the Board of Directors of the Company was convened, at which the Board of Directors resolved and approved: (i) the proposed repurchase and cancellation of 411,365 restricted A Shares under the 2021 Incentive Plan; and (ii) the proposed cancellation of the 2022 A Share Employee Stock Ownership Plan. For details, please refer to the overseas regulatory announcement of the Company dated 30 October 2023. As at 31 December 2023, the Company: (i) had not repurchased any restricted A Shares for the aforesaid purpose; and (ii) had sold the underlying shares involved in the 2022 A Share Employee Stock Ownership Plan.

During the Reporting Period, the Company repurchased 6,573,240 H Shares through trust for an aggregate consideration of HK$125,283,000 in accordance with the rules of the Share Incentive Scheme (H Shares).

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 exercise of 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 exercise of the global offering and the over-allotment option) (the "**Net Proceeds**").

Having considered (i) the reasons as stated in the announcement in the relation to proposed change in use of the Net Proceeds dated 28 April 2022, and (ii) the reasons stated in the announcement in the relation to proposed change in use of the Net Proceeds dated 30 August 2023, 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 re-allocate part of the Net Proceeds.

For the period from the Listing Date up to 31 December 2023, the Company has used RMB2,612.4 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 2023 (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**	**236.5**	**191.1**	**515.2**	
(i) upgrading our existing facilities and service team in northern California	7.6	401.7	401.7	115.5	70.1	286.2	By the end of 2025
(ii) investing in business development efforts, expanding service teams and upgrading laboratory equipment for Biomere	2.4	126.8	350.0	121.0	121.0	229.0	By the end of 2025

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 2023 (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**	**1,662.8**	**192.8**	**45.1**	**1,470.0**	
(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	152.0	29.9	348.0	By the end of 2024
(ii) building the Phase I of our new laboratories, research model breeding facilities and clinical operations in Chongqing	17.0	898.5	898.5	11.5	0.7	887.0	By the end of 2025
(iii) enhancing our technical and scientific research capabilities at our Guangzhou and Chongqing facilities	2.6	137.4	137.4	29.3	14.5	108.1	By the end of 2026
(iv) developing cutting-edge laboratory and research model technologies	2.4	126.9	126.9	–	–	126.9	By the end of 2026
(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**	**264.3**	**33.0**	**6.0**	**231.3**	
(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	31.7	8.3	0.6	23.4	By the end of 2024
(ii) investing in business development efforts for our growing clinical trial business	0.4	21.2	21.2	–	–	21.2	By the end of 2024
(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	211.4	24.7	5.4	186.7	By the end of 2024
(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**	**2,020.2**	**1,860.0**	**66.5**	**160.2**	**By the end of 2024**
(F) Working capital and general corporate purposes	**10.0**	**528.5**	**528.5**	**232.4**	**-**	**296.1**	

Report of Directors

DIRECTORS

The Board currently consists of the following 9 Directors:

Executive Directors

Ms. Feng Yuxia (馮宇霞) *(Chairperson of the Board)*
Mr. Zuo Conglin (左從林) *(Vice Chairperson of the Board)*
Mr. Gao Dapeng (高大鵬) *(General Manager, Secretary to the Board, Joint Company Secretary)*
Ms. Sun Yunxia (孫雲霞) *(Vice General Manager)*
Dr. Yao Dalin (姚大林) *(Senior Vice General Manager, Chief Scientific Officer)*

Independent Non-Executive Directors

Mr. Sun Mingcheng (孫明成)
Dr. Zhai Yonggong (翟永功)
Mr. Ou Xiaojie (歐小傑)
Mr. Zhang Fan (張帆)

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 31 to 36 in the section headed "Biographies of Directors, Supervisors and Senior Management" of this report.

CHANGE OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change of the Board and the Supervisory Committee of the Company

In April 2023, the Board received a written resignation report from Mr. Gu Xiaolei. Mr. Gu Xiaolei applied to resign from the positions as a director of the Company and a member of the Strategic Development Committee of the Board as a result of personal work arrangements and ceased to hold any position in the Company after resignation.

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 in November 2022, 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 in November 2022, 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 in November 2022. 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).

CONTRACT WITH SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, 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 2023 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 2023.

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

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 2023 or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS, SUPERVISOR 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 142 to 144 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 2023.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2023, 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 2023
HK$1,000,001 to HK$1,500,000	**1**
HK$2,000,001 to HK$2,500,000	**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 2023 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 2023 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 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 on 27 February 2018, 15 August 2019 and 15 July 2020, respectively.

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 Incentive 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 privately issued by the Company.

(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.

The 2018 Share Option and Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme have already ended and the remaining life of the 2020 Share Option Scheme is around 7 months.

(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.

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 promptly perform the obligations of declaration and information disclosure of the Pre-IPO Share Option and Restricted Share Award Schemes in accordance with relevant regulations.

(4) 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.

(5) 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) The grantee shall pay personal income tax and other taxes in accordance with relevant laws and regulations with regard to the income obtained from the Pre-IPO Share Option and Restricted Share Award Schemes.

(8) 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.

(9) 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 of the Company, the grantee shall return all the benefits obtained from the Pre-IPO Share Option and Restricted Share Award Schemes to the Company.

(10) 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.

(11) 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

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 at the date of this report. For details of fair value and exercise price of outstanding options, please refer to note 32 to the financial statements of this report.

Name of Grantee	Position	Exercise Price (RMB/Share)[7]	Date of Grant	Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Vesting Period	Canceled during the year[9]	Lapsed during the year	Outstanding as at 31 December 2023[8]
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	47.91	17 July 2020	188,160	0	0	(Note 4)	150,528	0	37,632
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	47.91	17 July 2020	29,400	0	0	(Note 4)	17,640	0	11,760
Sun Yunxia	Executive Director, Vice General Manager	47.91	24 June 2020	211,680	0	0	(Note 3)	211,680	0	0
		47.91	17 July 2020	58,800	0	0	(Note 4)	47,040	0	11,760
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	47.91	17 July 2020	58,800	0	0	(Note 4)	47,040	0	11,760
Subtotal				**546,840**	**0**	**0**		**473,928**	**0**	**72,912**
Senior Management										
Yu Aishui	Chief Financial Officer	47.91	24 June 2020	9,800	0	0	(Note 3)	9,800	0	0
		47.91	17 July 2020	14,700	0	0	(Note 4)	8,820	0	5,880
Subtotal				**24,500**	**0**	**0**		**18,620**	**0**	**5,880**
Other employees		14.12	9 March 2018				(Note 1)			
		16.97	9 September 2019				(Note 2)			
		47.91	24 June 2020	667,335	0	0	(Note 3)	627,005	0	740,096
		47.91	17 July 2020				(Note 4)			
Total				**1,238,675**	**0**	**0**		**1,119,553**	**0**	**818,888**

Notes:

(1) This batch of outstanding options under the 2018 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 19 April 2019 and 18 April 2020; (ii) as to 30% of the aggregate number the options between 19 April 2020 and 18 April 2021; and (iii) as to 20% of the aggregate number of options between 19 April 2021 and 18 April 2022.

(2) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 14 October 2020 and 13 October 2021; (ii) as to 30% of the aggregate number of options between 14 October 2021 and 13 October 2022; and (iii) as to 20% of the aggregate number of options between 14 October 2022 and 13 October 2023.

(3) This batch of outstanding options under the 2019 Share Option and Restricted Share Award Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options between 11 August 2021 and 10 August 2022; and (ii) as to 50% of the aggregate number of options between 11 August 2022 and 10 August 2023.

(4) This batch of outstanding options under the 2020 Share Option Scheme shall be vested in accordance with the vesting periods as follows: (i) as to 50% of the aggregate number of options on between 31 August 2021 and 30 August 2022; (ii) as to 30% of the aggregate number of options between 31 August 2022 and 30 August 2023; and (iii) as to 20% of the aggregate number of options between 31 August 2023 and 30 August 2024.

(5) The term of validity of outstanding options shall not exceed 48 months. And the exercise period of outstanding options shall commence from the date on which such options are no longer under any lock-ups and shall not exceed the validity period.

(6) The options available for grant under the 2018 Share Option Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme (including the options to be cancelled pursuant to the announcement of the Company dated 30 August 2022, which were eventually cancelled at the fifth meeting of the fourth session of the Board of Directors held on 30 October 2023) as at 1 January 2023 were 29,001, 40,926 and 1,420,020, respectively.

(7) The options available for grant under the 2018 Share Option Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme as at 31 December 2023 were 0, 0 and 818,888, respectively.

(8) As the date of this report, no options was available for issue under the 2018 Share Option and Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme. 818,888 Shares were available for issue under the 2020 Share Option Scheme, representing 0.11% of issued shares.

(9) At the fifth meeting of the fourth session of the Board of Directors held on 30 October 2023, the Company considered and approved the resolution on cancellation of some share options under the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme to cancel all the share options and some share options under the 2018 Share Option and Restricted Share Award Scheme, the 2019 Share Option and Restricted Share Award Scheme and the 2020 Share Option Scheme due to reasons such as the resignation of the participants on his own accord, failure to achieve the individual performance appraisal target and expiry of the exercise periods of the share options without any exercise, etc. Options cancelled (a total of 1,119,553 options) include lapsed and not yet cancelled share options prior to the listing of the Company and before the Reporting Period (including all lapsed options under the 2018 Share Option and Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme), as well as the first and second tranches of the options under the 2020 Share Option Scheme. At the end of the Reporting Period, only the third tranch of the share options under the 2020 Share Option Scheme is outstanding.

The following table summarizes the number of underlying A Shares of the outstanding RSUs under the Pre-IPO Share Option and Restricted Share Award Schemes as at the date of this report. For details of fair value and exercise price of outstanding restricted shares, please refer to note 32 to the financial statements of this report.

Name of Grantee	Position	Exercise Price (RMB/Share)[6]	Date of Grant	Outstanding as at 1 January 2023[7]	Granted during the year	Exercised during the year	Vesting Period	Canceled during the year[9]	Lapsed during the year	Outstanding as at 31 December 2023
Directors										
Zuo Conglin	Vice Chairperson of the Board, Executive Director	16.94/8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Gao Dapeng	Executive Director, General Manager, Secretary to the Board, Joint Company Secretary	16.94/8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Sun Yunxia	Executive Director, Vice General Manager	16.94/8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Yao Dalin	Executive Director, Senior Vice General Manager, Chief Scientific Officer	16.94/8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
Subtotal				**0**	**0**	**0**		**0**	**0**	**0**
Senior Management										
Gu Jingliang	Vice General Manager	16.94/8.21	9 September 2019	0	0	0	(Note 2)	0	0	0
		47.39/23.74	24 June 2020	0	0	0	(Note 3)	0	0	0
Yu Aishui	Chief Financial Officer	47.39/23.74	24 June 2020	0	0	0	(Note 3)	0	0	0
Subtotal				**0**	**0**	**0**		**0**	**0**	**0**
Other employees		9.81	9 March 2018	0	0	0	(Note 1)	0	0	0
		16.94/8.21	9 September 2019	3,293	0	0	(Note 2)	3,293	0	0
		47.39/23.74	24 June 2020	0	0	0	(Note 3)	0	0	0
Total				**3,293**	**0**	**0**	**0**	**3,293**	**0**	**0**

Notes:

(1) This batch of outstanding RSUs under the 2018 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 19 April 2019 and 18 April 2020; (ii) as to 30% of the aggregate number of RSUs between 19 April 2020 and 18 April 2021; and (iii) as to 20% of the aggregate number of RSUs between 19 April 2021 and 18 April 2022.

(2) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 14 October 2020 and 13 October 2021; (ii) as to 30% of the aggregate number of RSUs between 14 October 2021 and 13 October 2022; and (iii) as to 20% of the aggregate number of RSUs between 14 October 2022 and 13 October 2023.

(3) This batch of outstanding RSUs under the 2019 Share Option and Restricted Share Award Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 50% of the aggregate number of RSUs between 11 August 2021 and 10 August 2022; and (ii) as to 50% of the aggregate number of RSUs between 11 August 2022 and 10 August 2023.

(4) The term of validity of outstanding RSUs shall not exceed 48 months. And the exercise period of outstanding RSUs shall commence from the date on which such restricted shares are no longer under any lock-ups and shall not exceed the validity period.

(5) Exercise prices of the outstanding RSUs will be adjusted according to the resolution in respect of the Company's dividend distribution and transfer from share premium in capital reserve to share capital.

(6) The exercise prices of the RSUs have been adjusted for the bonus Shares issued in July 2023. The Company has issued 4 bonus Shares for every 10 Shares held. For details, please refer to the announcement made by the Company on 19 July 2023.

(7) The RSUs available for grant under the 2018 Share Option Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme as at 1 January 2023 were 0 and 3,293, respectively.

(8) The RSUs available for grant under the 2018 Share Option Restricted Share Award Scheme and the 2019 Share Option and Restricted Share Award Scheme as at 31 December 2023 were 0 and 0, respectively.

(9) 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, which marked the end of the 2019 Share Option and Restricted Share Award Scheme. As at the date of this report, no RSU is available for issuance.

POST-IPO RESTRICTED SHARE INCENTIVE 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.

Summary of Terms

(a) Purpose

The purpose of the 2021 Restricted A Share Incentive Scheme is to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Company's employees, ensure the realization of the Company's development strategy and business objectives, and promote the long-term development of the Company.

The purpose of the Employee Stock Ownership Plans are to establish and improve the benefit sharing mechanism for employees and shareholders, improve the corporate governance level, enhance the cohesion of employees and the competitiveness of the Company, mobilize the enthusiasm and creativity of employees, and promote the long – term, sustainable and healthy development of the Company.

(b) Types of Awards

The 2021 Restricted A Share Incentive Scheme provides for awards of Restricted Shares and the Employee Stock Ownership Plans provide the participants with the subscription of Shares.

(c) Administration

Given that the Restricted Shares are to be held by the grantees directly, upon the Restricted Shares being unlocked, the grantees could make their own decision in respect of their respective unlocked Restricted Shares under the 2021 Restricted A Share Incentive Scheme.

As to the Employee Stock Ownership Plans, the holder's meeting shall be the highest internal management authority of the Employee Stock Ownership Plans, and the management committee shall be established as the management body supervising the daily management of the Employee Stock Ownership Plans, and exercise the shareholders' rights attached to the underlying Shares.

(d) Scope of Participants

There are 505 Participants under the 2021 Restricted A Share Incentive Scheme, all of them are key technical (business) personnel. The participants under the 2021 Restricted A Share Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding 5% or more of the Shares of the Company or the de facto controllers and their spouses, parents or children.

As to the Employee Stock Ownership Plans, participants shall be supervisors, senior management or key technical (business) personnel of the Company. For the 2021 A Share Employee Stock Ownership Plan, the total number of participants shall not exceed 11, including 4 Supervisors and senior management personnel; for the 2022 A Share Employee Stock Ownership Plan, the total number of participants shall not exceed 20, including 4 Supervisors and senior management personnel.

(e) Source

The Restricted Shares under the 2021 Restricted A Share Incentive Scheme are new Shares to be issued and allotted by the Company. The underlying Shares for the Employee Stock Ownership Plans are existing Shares repurchased by the Company and held by the Company through its special securities account for share repurchase, which are to be transferred by the Company to the Employee Stock Ownership Plan at the transfer price.

(f) Maximum Number of Shares

675,400 Restricted Shares under the 2021 Restricted A Share Incentive Scheme was granted to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.09% of the total issued share capital of the Company as at the date of this report.

The total number of underlying shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as at the date of this report. The number of Restricted Shares to be granted to any particular participant under the 2021 Restricted A Share Incentive Scheme does not exceed 1% of the total share capital of the Company as at the date of this report.

The number of Shares to be subscribed for under the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan shall not exceed 32,600 Shares and 124,000 Shares, respectively, representing approximately 0.004% and 0.017% of the current total share capital of the Company, respectively. The stake of each holder in the Employee Stock Ownership Plans shall be determined according to the actual payment made by the employees.

(g) Term of the Post-IPO Restricted Award Scheme and ESOP

Subject to the termination provisions under the Post-IPO Restricted Award Scheme and ESOP, the term of the 2021 Restricted A Share Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the participants are unlocked or repurchased and cancelled, and shall not exceed 48 months. The remaining life of the 2021 Restricted A Share Incentive Scheme is around 36 months.

The term of the Employee Stock Ownership Plans shall be 48 months, commencing from the date on which the Company announces the last transfer of the underlying shares to the Employee Stock Ownership Plans. As at the date of this report, no share has been transferred to the grantees.

(h) Date of Grant

The 2021 Restricted A Share Incentive Scheme was approved at the first Extraordinary General Meeting of 2022, the first A Share Class Meeting for 2022 and the first H Share Class Meeting for 2022. The date of grant was 28 January 2022. For the grant details, please refer to the Company's announcement dated 28 January 2022.

(i) Lock-up Period and Vesting Period

The lock-up period of the Restricted Shares granted under the 2021 Restricted A Share Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares to the participants, respectively. The Restricted Shares granted to the participants under the 2021 Restricted A Share Incentive Scheme shall not be transferred, pledged or used for repayment of debts before the unlocking of them.

The vesting period for the outstanding RSUs under the 2021 Restricted A Share Incentive Schemes shall be vested in accordance with the vesting periods as follows: (i) 40% of the aggregate number of 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 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) 30% of the aggregate number of 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.

The vesting period for the shares under the 2021 A Share Employee Stock Ownership Plan shall be vested in accordance with the vesting periods as follows: (i) 40% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 12-month period from the date of announcement of the transfer of shares; (ii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 24-month period from the date of announcement of the transfer of shares; and (iii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 36-month period from the date of announcement of the transfer of shares.

The vesting period for the shares under the 2022 A Share Employee Stock Ownership Plans shall be vested in accordance with the vesting periods as follows: (i) 50% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 12-month period from the date of announcement of the transfer of shares; (ii) 30% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 24-month period from the date of announcement of the transfer of shares; and (iii) 20% of the aggregate number of shares held under the special securities account shall vest from the first trading day after expiry of the 36-month period from the date of announcement of the transfer of shares.

(j) Grant and Exercise of Awards

On and subject to certain terms of the 2021 Restricted A Share Incentive Scheme, Awards can be granted to by any eligible employee, i.e., linking the grant 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.

On and subject to certain terms of the Employee Stock Ownership Plans, the shares can be granted to any eligible participants subject to the consideration and approval at a general meeting of the Company. If the performance of the Company, the relevant participants and other conditions are not fulfilled in the stipulated period, the underlying shares and interests shall not be unlocked and shall be withdrawn by the management committee and the capital contribution shall be returned to the holders of the shares.

(k) Basis of Determining the Grant Price of the RSUs and Purchase Price of the Shares

The grant price of the RSUs under the 2021 Restricted A Share Incentive 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 date of the announcement of 2021 Restricted A Share Incentive 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 date of the announcement of 2021 Restricted A Share Incentive 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 purchase price of the shares under the Employee Stock Ownership Plans shall be 50% of the average trading price of the Shares on the trading day preceding the respective date of the announcement of the Employee Stock Ownership Plans. The purchase price of the shares under the Employee Stock Ownership Plans are determined by the Company with reference to relevant policies and other cases of listed companies, taking into account factors such as the implementation effect of the Company's historical share incentive scheme, the trend of the Company's share price in recent years and the actual situation of the Company. The purpose of the above pricing method is to ensure the effectiveness of the Employee Stock Ownership Plans, further stabilize and motivate the core team, and provide mechanism and talent guarantee for the long-term and stable development of the Company.

In view of the changes in the secondary market environment and relevant policies, the Company, after due consideration, considered and approved the Proposal on Termination of Implementation of the 2021 A Share Employee Stock Ownership Plan at the 2nd meeting of the fourth session of the Board held on 30 March 2023 and decided to terminate the 2021 A Share Employee Stock Ownership Plan; and considered and approved the Proposal on Termination of Implementation of the 2022 A Share Employee Stock Ownership Plan at the 5th meeting of the fourth session of the Board held on 30 October 2023 and decided to terminate the 2022 A Share Employee Stock Ownership Plan in accordance with the requirements of the Guiding Opinions on the Implementation of Pilot Employee Stock Ownership Plan of Listed Companies, the Self-regulatory Guideline No. 1 for Companies Listed on the Shanghai Stock Exchange-Standard Operation, the 2021 A Share Employee Stock Ownership Plan (Draft) and the 2022 A Share Employee Stock Ownership Plan (Draft) and based on the subscription intention of the proposed participants.

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

The following table summarizes the number of underlying A Shares of the outstanding Restricted Shares under the 2021 Restricted A Share Incentive Scheme as at 31 December 2023. For details of fair value and exercise price of outstanding restricted shares, please refer to note 32 to the financial statements of this report.

Name of Grantee	Exercise Price (RMB/Share)(3)	Date of Grant	Outstanding as at 1 January 2023	Grant during the year(4)	Exercised during the year	Vesting Period	Canceled during the year(6)	Lapsed during the year(7)	Outstanding as at 31 December 2023
Key technical (business) personnel (297 persons)	42.37	28 January 202	512,820	0	187,880	(Note 1)	31,108	411,365	0

Notes:

(1) This batch of outstanding RSUs under the 2021 Restricted A Share Incentive Scheme shall be unlocked in accordance with the unlocking periods as follows: (i) as to 40% of the aggregate number of Restricted Shares between 29 March 2023 and 28 March 2024; (ii) as to 30% of the aggregate number of RSUs between 29 March 2024 and 28 March 2025; and (iii) as to 30% of the aggregate number of RSUs between 29 March 2025 and 28 March 2026.

(2) The term of validity of outstanding RSUs shall not exceed 48 months. And the exercise period of outstanding RSUs shall commence from the date on which such restricted shares are no longer under any lock-up, and shall not exceed the validity period.

(3) The exercise price of the RSUs has been adjusted for the bonus share issued in July 2023. The Company has issued 4 bonus shares for every 10 shares held. For details, please refer to the announcement made by the Company on 19 July 2023.

(4) On 30 March 2023, the second meeting of the fourth session of the Board of Directors of the Company considered and approved the resolution on "Repurchasing and Cancelling Some Restricted Shares under the 2021 Restricted A Share Incentive Scheme" and the resolution on the "Fulfilment of the Unlocking Conditions for the First Unlocking Period under the 2021 Restricted A Share Incentive Scheme". On 21 April 2023, 187,880 A Shares were unlocked and the weighted average closing price of the A Shares on 20 April 2023 was RMB55.9969.

(5) The total number of RSUs available for grant under the 2021 Restricted A Share Incentive Schemes was 512,820 as at 1 January 2023. As at 31 December 2023 and the date of this report, no RSUs were available for grant.

(6) On 27 April 2023, the Company held the third meeting of the fourth session of the Board and considered and approved the resolution on cancellation of part of the RSU under under the 2021 Restricted A Share Incentive Scheme and decided to cancel a total of 31,108 outstanding RSUs. On 6 July 2023, the cancellation of such shares was completed.

(7) Due to the market environment, the Company considered and approved the resolution on termination of implementation of the 2021 Restricted A Share Incentive Scheme and cancellation of related restricted Shares on the fifth meeting of the fourth session of the Board of the Company held on 30 October 2023, and decided to terminate the 2021 Options Incentive Scheme and all of its related shares have been lapsed.

During the Reporting Period, the Company held the second meeting of the fourth session of the Board on 30 March 2023 and considered and approved the resolution on termination of the implementation of 2021 A Share Employee Stock Ownership Plan. Furthermore, the fifth meeting of the fourth session of the Board was held on 30 October 2023 and considered and approved the Resolution on Termination of the Implementation of 2022 A Share Employee Stock Ownership Plan and it was decided to terminate the 2021 A Share Employee Stock Ownership Plan and the 2022 A Share Employee Stock Ownership Plan.

2022 H SHARES INCENTIVE SCHEME

The Company adopted the 2022 H Shares Incentive Scheme on 24 June 2022. The terms of the 2022 H Shares Incentive Scheme are subject to the disclosure requirement under Chapter 17 of the Listing Rules.

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 at 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 8 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 6,573,240 H Shares through the Trust at a total consideration of HK$125,283,000, representing 0.88% 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 2023, 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	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)[2]	26.50%	22.29%
		Interest of Spouse	A Shares	74,725,981(L)[2]	11.84%	9.96%
Mr. Zuo Conglin[4]	Executive Director	Beneficial Owner	A Shares	14,286,477(L)[2]	2.26%	1.91%
Ms. Sun Yunxia[5]	Executive Director	Beneficial Owner	A Shares	2,757,707(L)[2]	0.44%	0.37%
Mr. Gao Dapeng[6]	Executive Director, Secretary to the Board, Joint Company Secretary	Beneficial Owner	A Shares	318,146(L)[2]	0.05%	0.04%
Dr. Yao Dalin[7]	Executive Director	Beneficial Owner	A Shares	135,258(L)[2]	0.02%	0.02%

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 22.29% of our total issued share capital as at the date of this report (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 9.96% of our total issued share capital as at the date of this report (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). Therefore, Ms. Feng and Mr. Zhou are each deemed to be interested in a total of 241,886,614 of Shares, representing 32.25% of our total issued share capital as at the date of this report (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 2023, the Company had 749,888,699 issued shares in total, comprising 630,893,493 A Shares 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).

(4) Among the interests of Mr. Zuo Conglin, 37,632 of which are underlying Shares of options granted to Mr. Zuo Conglin.

(5) Among the interests of Ms. Sun Yunxia, 11,760 of which are underlying Shares of options granted to Ms. Sun Yunxia.

(6) Among the interests of Mr. Gao Dapeng, 11,760 of which are underlying Shares of options granted to Mr. Gao Dapeng.

(7) Among the interests of Dr. Yao Dalin, 11,760 of which are underlying Shares of options granted to Dr. Yao Dalin.

Save as disclosed above and in the section headed "Pre-IPO Share Option and Restricted Award Schemes", so far as the Directors are aware, as at the date of this report, none of our Directors, Supervisors or chief executives 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 2023, 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	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)]	11.84%	9.96%
	Interest of spouse		167,160,633(L)[(3)]	26.50%	22.29%
UBS Group AG	Interest of controlled corporation	H Shares	6,800,300(L)	5.71%	0.91%
			1,117,025(S)	0.94%	0.15%
Aggregate of abrdn plc affiliated investment management entities	Investment manager	H Shares	10,736,824(L)	9.02%	1.43%
FIDELITY FUNDS	Beneficial owner	H Shares	9,366,300(L)	7.87%	1.25%
Brown Brothers Harriman & Co	Approved lending agent	H Shares	10,709,104(L)	8.99%	1.43%
			10,709,104(P)	8.99%	1.43%
FIL Limited	Interest of controlled corporation	H Shares	13,055,578(L)	10.97%	1.74%
Pandanus Associates Inc.	Interest of controlled corporation	H Shares	13,055,578(L)	10.97%	1.74%
Pandanus Partners L.P.	Interest of controlled corporation	H Shares	13,055,578(L)	10.97%	1.74%
Futu Trustee Limited	Beneficial owner	H Shares	6,128,280(L)	5.15%	0.82%

Notes:

(1) (L) – Long Position, (S) – Short Position, (P) – Lending Pool.

(2) As at 31 December 2023, the Company had 749,888,699 issued shares in total, comprised of 630,893,493 A Shares 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 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
Aurora Bioscience Co., Ltd. (蘇州啟辰生物科技有限公司)	RMB10,000,000	Huang Wenjuan (黃雯涓)	45
JOINN Laboratories (Wuxi) Co.,Ltd. (昭衍(無錫)新藥研究中心有限公司)	RMB50,000,000	Jiangsu Sinotau Molecular Imaging Science & Technology Co., LTD. (江蘇先通分子影像科技有限公司)	20

Except as disclosed in this section, to the best knowledge of the Company, as at 31 December 2023, 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

Save as disclosed in the annual report, 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 2023, we served approximately 850 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 2023, we had a total of 2,510 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 3.12% of the Group's total revenue. The Group's five largest customers accounted for 12.34% of the Group's total revenue.

In the Reporting Period, the Group's largest supplier accounted for 14.43% of the Group's total purchase. The Group's five largest suppliers accounted for 41.57% 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: 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 2,510 employees as at 31 December 2023. Among the 2,510 employees, 2,291 employees are stationed in China and 219 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 Incentive 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 2023, 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 2023. 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 4% 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 2023, 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 2023.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 38 to the consolidated financial statements contained herein.

Save as disclosed below, none of these related party transactions as set out in note 38 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 2023 and 2022, the Group did not pay consideration to any third parties for making available directors' services.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

Qixi Lease Agreement

On 30 March 2023, JOINN Express & Collabo Laboratories (Suzhou) Co., Ltd.* (昭衍易創（蘇州）新藥研究有限公司) ("**JOINN Express & Collabo (Suzhou)**"), a wholly-owned subsidiary of the Company, entered into a lease buildings (the "**Qixi Lease Agreement**") with Suzhou Qixi Bio-Valley Co., Ltd.* (蘇州七溪生物矽谷有限公司) ("**Qixi Bio**") for a term from 1 January 2023 to 31 December 2025. Qixi Bio shall lease buildings to the JOINN Express & Collabo (Suzhou) in accordance with the Qixi Bio Lease Agreement. The rent would be payable quarterly and the rent amount would be RMB758,352.00, RMB788,686.08 and RMB820,103.52 quarterly for 2023, 2024 and 2025, respectively. In addition, JOINN Express & Collabo (Suzhou) also separately signed the Qixi Bio Property Service Agreement with Suzhou Qixi Operation Management Co., Ltd.* (蘇州七溪運營管理有限公司)

("**Qixi Operation Management**"), a wholly-owned subsidiary of Qixi Bio, for the property management service of the leased buildings for a term from 1 January 2023 to 31 December 2025, and Qixi Operation Management shall provide JOINN Express & Collabo (Suzhou) with property management services for the buildings. Since all percentage ratios (except the profit ratio) of the annual transaction amount of the relevant property management services are less than 0.1%, the transaction is fully exempt pursuant to Rule 14A.76(1)(a) of the Listing Rules.

Qixi Bio is held as to 55.25% in aggregate by Ms. Feng and Mr. Zhou (both are controlling shareholders of the Company). Therefore, Qixi Bio is a connected persons of the Company. In accordance with the IFRS 16 applicable to the Group, the Group will recognise the rental payments to be paid by the Group under the Qixi Bio Lease Agreement as an acquisition of right-of-use asset in its consolidated statement of financial position and will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the right-of-use asset value for the Qixi Lease Agreement exceeds 0.1% but is less than 5%, the connected transaction contemplated under the Qixi Bio Lease 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 announcements of the Company dated 30 March 2023.

Power Capacity Increase Agreement

On 27 April 2023, JOINN Express & Collabo (Suzhou) has entered into the power capacity increase agreement (the "**Power Capacity Increase Agreement**") with Qixi Bio, pursuant to which Qixi Bio agreed to provide increased power capacity for the leased property under the Qixi Lease Agreement in respect of the payment in lieu and comprehensive management services in respect of the payment made to the power company including the change from single-circuit power supply to dual circuit power supply at a consideration of approximately RMB5 million. Pursuant to the terms of the Power Capacity Increase Agreement, JOINN Express & Collabo shall pay Qixi Bio 50% of the cost of the matter under the Power Capacity Increase Agreement, being approximately RMB2.5 million, within five working days from the signing of the Power Capacity Increase Agreement. JOINN Express & Collabo shall pay Qixi Bio the relevant remaining amount of approximately RMB2.5 million within five working days from the completion of the Power Capacity Increase Matter and commencement of power supply. Qixi Bio shall commence relevant purchases and construction upon the signing of the Power Capacity Increase Agreement, and the specific construction period is subject to the actual conditions. If JOINN Express & Collabo fails to make payment(s) due for seven days, Qixi Bio shall have the right to cease the power supply.

As the highest applicable percentage ratio in respect of the Power Capacity Increase Agreement is more than 0.1% but less than 5%, the Power Capacity Increase Matter is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. For further details, please refer to the announcements of the Company dated 27 April 2023 and 3 May 2023.

The Leasing Agreements

On 30 August 2023, each of the Company, 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) entered into a leasing agreements (the "**Beijing Joinn Biologics Leasing Agreements**") with Beijing Joinn Biologics Co., Ltd. (北京昭衍生物技術有限公司)* ("**Beijing Joinn Biologics**") in connection with the leased property for a term of 3 years commencing from 1 September 2023. The annual rent for the leasing agreement entered into with the Company is RMB891,878.40 (for the period from 2023.9.1 to 2024.8.31) and RMB968,856.00 (for the period from 2024.9.1 to 2026.8.31). The annual rent for the leasing agreement entered into with JOINN Medical Testing is RMB1,629,485.00 (for the period from 2023.9.1 to 2024.8.31) and RMB2,162,771.00 (for the period from 2024.9.1 to 2026.8.31). The annul rent for the leasing agreement entered into with JOINN Drug Quality Research is RMB1,921,067.50 (for the period from 2023.9.1 to 2024.8.31) and RMB2,549,780.50 (for the period from 2025.9.1 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 Beijing Joinn Biologics Leasing Agreements and the transactions contemplated thereunder will be deemed as an asset acquisition by the Group under the Listing Rules. As confirmed by the Company, the leasing agreements between Bejing Joinn Biologics and: (i) JOINN Medical Testing; and (ii) JOINN Drug Quality Research have not been implemented after entering into the agreements, JOINN Medical Testing and JOINN Drug Quality Research have not rented the properties under their respective leasing agreements nor paid any rental payment. Therefore, in December 2023, Bejing Joinn Biologics has entered into the lease termination agreement with JOINN Medical Testing and JOINN Drug Quality Research respectively to formally terminate the leasing agreement entered into with JOINN Medical Testing and JOINN Drug Quality Research. As the leasing agreements entered into by JOINN Medical Testing and JOINN Drug Quality Research have not been implemented, no acquisition of assets has been recognised by the Group in relation to the abovementioned leasing agreements and the termination of the leasing agreements does not constitute a disposal of assets nor be deemed as a disposal of assets under the Listing Rules.

On the same day, JOINN Clinical (Beijing) Co., Ltd. (昭衍（北京）醫藥科技有限公司) ("**JOINN Clinical (Beijing)**"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "**JOINN Clinical (Beijing) Leasing Agreement**") with Yizhao (Beijing) Medical Science & Technology Co., Ltd. (熠昭（北京）醫藥科技有限公司) ("**Yizhao (Beijing) Medical Science & Technology**") to lease certain facilities for a term from 1 September 2023 to 31 August 2024 with rental payment of RMB121,195.96 per quarter. The rent for all the above leasing agreements is payable quarterly.

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., which is held as to 55% by Mr. Zhou, 26% by Ms. Feng and 19% by Zhou Fengyuan and Zhou Fengyi collectively via other intermediary holding companies. Zhou Fengyi and 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. In addition, Ms. Feng and Mr. Zhou hold 85% of the equity interest of Yizhao (Beijing) Medical Science & Technology. Therefore, Beijing Joinn Biologics and Yizhao (Beijing) Medical Science & Technology are associates of the controlling shareholders of the Company and are therefore connected persons of the Company. Accordingly, the transactions contemplated under the Beijing Joinn Biologics Leasing Agreements constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios of the total value of the right-of-use asset under the above leasing agreements and the annual rent under JOINN Clinical (Beijing) Leasing Agreement exceed 0.1% but is less than 5%, the connected transactions contemplated under the above leasing agreements (as the case may be) 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 announcements of the Company dated 30 August 2023 and 5 September 2023, respectively.

Continuing Connected Transactions

The following transactions constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, as below.

1. *2023 Staidson Research and Development Service Framework Agreement*

On 30 March 2023 the Company entered into a research and development service framework agreement (the "**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 Staidson Research and Development Service Framework Agreement commenced on 31 March 2023 and ended on 31 December 2023.

The service fees to be charged by the Company for providing 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 Company for providing 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 2023 was RMB74.2 million. The annual cap for the year ending 31 December 2023 is RMB80.0 million and for the year ending 31 December 2024 will amount to RMB75.0 million.

Staidson is held as to 36.11% by Yizhao (Beijing) Medical Science & Technology, 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 1.10% by Mr. Zhou directly. Therefore, Staidson is a connected person of the Company and the transaction contemplated under the 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 30 March 2023.

The parties have further entered into a framework agreement with regards to the same nature transactions dated 5 February 2024. For details, please refer to the announcement made by the Company on 5 February 2024 and the supplemental announcement on 27 February 2024.

2. *Heyu Research and Development Service Framework Agreement*

On 30 March 2023, the Company entered into a research and development service framework agreement (the "**Heyu Research and Development Service Framework Agreement**") with Beijing Heyu Pharmaceutical Technology Co., Ltd. ("**Heyu**"), 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 Heyu and its subsidiaries. The Heyu Research and Development Service Framework Agreement commenced on 31 March 2023 and ended on 31 December 2023.

The service fees to be charged by the Company for providing Heyu Services shall be determined by the parties after arm's length negotiations with reference to (i) the labour and equipment costs of 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 Company for providing drug research and development services to Beijing Heyu will be in line with the 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 2023 was RMB0.1 million. The annual cap for the year ended 31 December 2023 is RMB20 million.

Heyu is a company held as to 55.00% by Mr. Zuo Wenjie, the son of Mr. Zuo Conglin, an executive Director of the Company. Therefore, Heyu is a connected person of the Company and the transaction under the Heyu 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 Heyu Research and Development Service Framework Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Heyu 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 30 March 2023.

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 73 to 96 of this report.

DONATIONS

During the Reporting Period, the Company made donations of RMB0.01 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 2023.

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

Hong Kong, 28 March 2024

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2023.

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 (formerly known as Appendix 14) 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 2023, 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 (formerly known as Appendix 10) 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 2023. 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 2023.

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) *(Vice Chairperson of the Board)*
Mr. Gao Dapeng (高大鵬) *(General Manager, Secretary to the Board, Joint Company Secretary)*
Ms. Sun Yunxia (孫雲霞) *(Vice General Manager)*
Dr. Yao Dalin (姚大林) *(Senior Vice General Manager, Chief Scientific Officer)*

Non-executive Director:

Mr. Gu Xiaolei (顧曉磊) *(resigned on 27 April 2023)*

Independent non-executive Directors:

Mr. Sun Mingcheng (孫明成)
Dr. Zhai Yonggong (翟永功)
Mr. Ou Xiaojie (歐小傑)
Mr. Zhang Fan (張帆)

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 2023, 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 2023, 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 2023, 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 2023, 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 2023 received are summarized as follows:–

Directors	Type of Training(Note)
Executive Directors	
Ms. Feng Yuxia	A/B
Mr. Zuo Conglin	A/B
Mr. Gao Dapeng	A/B
Ms. Sun Yunxia	A/B
Dr. Yao Dalin	A/B
Independent non-executive Directors	
Mr. Sun Mingcheng	A/B
Dr. Zhai Yonggong	A/B
Mr. Ou Xiaojie	A/B
Mr. Zhang Fan	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to briefings, 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. Sun Mingcheng, Dr. Zhai Yonggong and Mr. Zhang Fan. Mr. Sun Mingcheng 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 2023, 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 and, 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 Mr. Zuo Conglin, and two independent non-executive Directors, namely Mr. Sun Mingcheng and Mr. Ou Xiaojie. Mr. Ou Xiaojie 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 2023.

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 2023.

Details of the remuneration of the senior management (who are not the Directors and Supervisors) by band during the year ended 31 December 2023 are set out in the Report of Directors on page 44.

Nomination Committee

The Nomination Committee consists of one executive Director, namely Ms. Feng Yuxia, and two independent non-executive Directors, namely Dr. Zhai Yonggong and Mr. Ou Xiaojie. Dr. Zhai Yonggong 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 did not hold any meeting during the year ended 31 December 2023, but the members of the Nomination Committee has, through written communication, reviewed 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 Nomination Policy. 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: 7
Female: 2

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

Nationality
Chinese: 8
American: 1

Age Group
41-50: 3
51-60: 4
61-70: 1
71 or above: 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 (excluding independent non-executive Directors) and senior management as at the date of this annual report:

	Female	Male
Board (excluding independent non-executive Directors)	40% (2)	60% (3)
Senior Management	40% (2)	60% (3)
Other employees	65.7% (1,650)	34% (854)
Overall workforce	65.8% (1,652)	34.2% (858)

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 21 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 2023, except for the resignation of Mr. Gu Xiaolei, there was no change in the composition of the Board.

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, Mr. Zuo Conglin and Ms. Sun Yunxia, and one independent non-executive Director, namely Mr. Ou Xiaojie. 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 did not hold any meeting during the year ended 31 December 2023.

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 2023, 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 4 Board meetings during the year ended 31 December 2023.

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 2023 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**
Ms. Feng Yuxia	4/4	N/A	N/A	0/0	0/0	1/1
Mr. Zuo Conglin	4/4	N/A	1/1	N/A	0/0	1/1
Mr. Gao Dapeng	4/4	N/A	N/A	N/A	N/A	1/1
Ms. Sun Yunxia	4/4	N/A	N/A	N/A	0/0	1/1
Dr. Yao Dalin	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Sun Mingcheng	4/4	4/4	1/1	N/A	N/A	1/1
Dr. Zhai Yonggong	4/4	4/4	N/A	0/0	N/A	1/1
Mr. Ou Xiaojie	4/4	N/A	1/1	0/0	0/0	1/1
Mr. Zhang Fan	4/4	4/4	N/A	N/A	N/A	1/1

Apart from regular Board meetings, the Chairman also held meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2023.

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 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. Sun Mingcheng, 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 2023.

- 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 2023, 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 2023, 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 2023, the Group was not aware of any material defect in internal control of the Group. 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 2023, 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 2023 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 2023.

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 2023, and RMB0.3 million was charged for the rendering of non-assurance and other assurance services including 2023 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 2023.

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@hk.tricorglobal.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 http://www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.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 2023, 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 and align with the amendments to the requirements of Appendix A1 (formerly known as Appendix III) to the Listing Rules which came into effect on 1 January 2022; and (iv) reflect the resignation of the non-executive Director. Details of the amendments are set out in the circular of the Company dated 10 May 2023.

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).

KPMG

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 104 to 196, which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("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 RMB2.38 billion in 2023 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)

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

KPMG
Certified Public Accountants

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

28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	**2023 RMB'000**	2022 RMB'000
Revenue	4	**2,376,487**	2,267,971
Cost of services		**(1,397,094)**	(1,186,543)
Gross profit	4(b)	**979,393**	1,081,428
Other gains and losses, net	5	**240,522**	227,639
(Losses)/gains arising from changes in fair value of biological assets	17	**(288,807)**	333,073
Selling and marketing expenses		**(24,615)**	(18,007)
General and administrative expenses		**(296,477)**	(299,873)
Research and development expenses		**(96,854)**	(77,985)
Profit from operations		**513,162**	1,246,275
Finance costs	6(a)	**(3,142)**	(3,582)
Share of losses of an associate	16	**(3,069)**	(2,691)
Profit before taxation	6	**506,951**	1,240,002
Income tax	7	**(115,398)**	(166,802)
Profit for the year		**391,553**	1,073,200
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)		**952**	45,100
Item that are or may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		**4,009**	23,714
		4,961	68,814
Total comprehensive income for the year		**396,514**	1,142,014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	**2023 RMB'000**	2022 RMB'000
Profit for the year attributable to:			
Equity shareholders of the Company		**396,993**	1,074,257
Non-controlling interests		**(5,440)**	(1,057)
Profit for the year		**391,553**	1,073,200
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**401,954**	1,143,071
Non-controlling interests		**(5,440)**	(1,057)
Total comprehensive income for the year		**396,514**	1,142,014
Earnings per share	11		
Basic (RMB)		**0.53**	1.44
Diluted (RMB)		**0.53**	1.43

The notes on pages 113 to 196 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property plant and equipment	12	**1,303,491**	1,234,691
Intangible assets	13	**47,800**	50,442
Interest in an associate	16	**19,529**	22,598
Goodwill	14	**136,007**	133,739
Biological assets	17	**558,874**	787,419
Financial assets at FVOCI	18	**159,840**	158,720
Financial assets at fair value through profit or loss ("FVTPL")	26	**587,784**	485,923
Certificates of deposit	19	**30,832**	1,478,774
Other non-current assets	20	**32,784**	50,891
Deferred tax assets	33(b)	**28,251**	32,613
		2,905,192	4,435,810
Current assets			
Inventories	21	**184,593**	350,182
Contract costs	22	**772,739**	773,248
Biological assets	17	**905,749**	1,071,176
Contract assets	23(a)	**127,172**	128,477
Trade and bills receivables	24	**212,888**	211,623
Prepayments and other receivables	25	**149,070**	68,381
Financial assets at FVTPL	26	**373,354**	408,471
Certificates of deposits	19	**1,533,490**	–
Cash at bank and on hand	27	**2,862,912**	2,916,848
		7,121,967	5,928,406
Current liabilities			
Interest-bearing borrowings	28	**–**	3,533
Trade payables	29	**43,323**	127,309
Contract liabilities	23(b)	**1,151,974**	1,294,707
Other payables	30	**203,215**	335,504
Lease liabilities	31	**27,500**	24,006
Income tax payable	33(a)	**41,353**	59,203
		1,467,365	1,844,262
Net current assets		**5,654,602**	4,084,144
Total assets less current liabilities		**8,559,794**	8,519,954

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Interest-bearing borrowings	28	**–**	3,281
Lease liabilities	31	**41,925**	56,887
Deferred tax liabilities	33(b)	**162,341**	188,243
Deferred income	34	**74,487**	80,677
		278,753	329,088
NET ASSETS		**8,281,041**	8,190,866
CAPITAL AND RESERVES	35		
Share capital		**749,889**	535,679
Reserves		**7,529,427**	7,648,022
Total equity attributable to equity shareholders of the Company		**8,279,316**	8,183,701
Non-controlling interests		**1,725**	7,165
TOTAL EQUITY		**8,281,041**	8,190,866

Approved and authorised for issue by the board of directors on 28 March 2024.

Name: Feng Yuxia
Position: Chairperson

Name: Gao Dapeng
Position: Director

The notes on pages 113 to 196 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in RMB)

	Note	Share capital RMB'000 (Note 35 (d))	Capital reserve RMB'000 (Note 35 (e)(i))	Share award reserve RMB'000 (Note 35 (e)(ii))	Statuary reserve RMB'000 (Note 35 (e)(iii))	Exchange reserve RMB'000 (Note 35 (e)(iv))	Fair value reserve (non-recycling) RMB'000 (Note 35 (e)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
		Attributable to equity shareholders of the Company									
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	35(d)	214,244	(214,244)	-	-	-	-	-	-	-	-
Cancellation of restricted shares	32(b)(ii)	(34)	(1,851)	1,885	-	-	-	-	-	-	-
Unlock of restricted shares		-	-	11,220	-	-	-	-	11,220	-	11,220
Issue of Employee Ownership Plan	35(b)	-	(2,655)	5,386	-	-	-	-	2,731	-	2,731
Termination of Employee Ownership Plan	35(b)	-	(172)	-	-	-	-	-	(172)	-	(172)
Share held for Share Incentive Schemes	35(b)	-	-	(111,906)	-	-	-	-	(111,906)	-	(111,906)
Recognition of share-based payments	32(c)	-	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	35(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total Equity RMB'000
		Share capital RMB'000 (Note 35 (d))	Capital reserve RMB'000 (Note 35 (e)(i))	Share award reserve RMB'000 (Note 35 (e)(ii))	Statuary reserve RMB'000 (Note 35 (e)(iii))	Exchange reserve RMB'000 (Note 35 (e)(iv))	Fair value reserve (non-recycling) RMB'000 (Note 35 (e)(v))	Retained profits RMB'000	Total RMB'000		
Balance at 1 January 2022		381,246	5,543,570	(3,935)	87,428	(20,569)	47,312	1,101,162	7,136,214	8,222	7,144,436
Changes in equity for 2022:											
Profit for the year		–	–	–	–	–	–	1,074,257	1,074,257	(1,057)	1,073,200
Other comprehensive income		–	–	–	–	23,714	45,100	–	68,814	–	68,814
Total comprehensive income		–	–	–	–	23,714	45,100	1,074,257	1,143,071	(1,057)	1,142,014
Issue of shares under bonus issue	35(d)	152,626	(152,626)	–	–	–	–	–	–	–	–
Shares issued under share option scheme	32(a)(ii)	1,517	56,268	–	–	–	–	–	57,785	–	57,785
Issue of restricted shares	32(b)(ii)	366	30,392	(30,758)	–	–	–	–	–	–	–
Cancellation of restricted shares	32(b)(ii)	(76)	(653)	729	–	–	–	–	–	–	–
Unlock of restricted shares		–	–	3,110	–	–	–	–	3,110	–	3,110
Share held for Share Incentive Schemes		–	–	(22,500)	–	–	–	–	(22,500)	–	(22,500)
Recognition of share-based payments	32(c)	–	9,588	–	–	–	–	–	9,588	–	9,588
Recognition of tax effect related with share-based payments		–	(6,404)	–	–	–	–	–	(6,404)	–	(6,404)
Appropriation to reserves		–	–	–	32,083	–	–	(32,083)	–	–	–
Dividends declared and paid in respect of the previous year	35(c)(ii)	–	–	200	–	–	–	(137,363)	(137,163)	–	(137,163)
Balance at 31 December 2022		535,679	5,480,135	(53,154)	119,511	3,145	92,412	2,005,973	8,183,701	7,165	8,190,866

The notes on pages 113 to 196 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Profit before taxation		**506,951**	1,240,002
Adjustments for:			
Impairment loss of inventories and contract cost		**31,232**	2,792
Loss allowance of contract assets and receivables		**10,322**	5,797
Amortisation of intangible assets	13	**9,061**	15,608
Depreciation of property, plant and equipment	12(a)	**133,071**	114,108
Finance costs	6(a)	**3,142**	3,582
Finance income		**(55,640)**	(52,296)
Change in fair value of financial assets at FVTPL	5	**(43,165)**	(16,494)
Gains on financial assets at FVTPL	5	**(12,697)**	(15,713)
Share of losses of an associate	16	**3,069**	2,691
Net loss on disposal of property, plant and equipment	5	**251**	412
Losses/(gains) arising from changes in fair value of biological assets	17	**288,807**	(333,073)
Equity-settled share-based payment expenses	32(c)	**6,028**	9,588
Negative goodwill	5	**–**	(14,367)
Net foreign exchange gain	5	**(12,114)**	(27,401)
Changes in working capital:			
Decrease/(increase) in inventories		**158,665**	(241,988)
Increase in contract costs		**(23,802)**	(342,246)
Decrease/(increase) in contract assets		**1,312**	(29,627)
Decrease in biological assets		**104,493**	401,637
Increase in trade and bills receivables		**(11,706)**	(102,249)
(Increase)/decrease in prepayments and other receivables		**(83,406)**	8,168
(Decrease)/increase in trade payables		**(83,986)**	71,733
(Decrease)/increase in other payables		**(5,366)**	52,008
(Decrease)/increase in contract liabilities		**(142,733)**	322,494
Decrease in deferred income		**(7,040)**	(6,189)
Cash generated from operations		**774,749**	1,068,977
Tax paid	33(a)	**(152,722)**	(123,550)
Net cash generated from operating activities		**622,027**	945,427

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Investing activities			
Acquisition of subsidiaries, net of cash acquired		**(90,060)**	(1,689,055)
Payment for acquisition of RMB wealth management products	36d(i)	**(555,000)**	(596,500)
Payment for investments in unlisted funds	26(ii)	**(62,352)**	(155,000)
Payment for acquisition of equity investments in an unlisted company at FVTPL	26(i)	**–**	(317,425)
Purchase of property, plant and equipment		**(186,775)**	(268,749)
Purchase of intangible assets		**(5,946)**	(6,092)
Payment for acquisition of certificates of deposits		**(30,000)**	(21,271)
Placement of restricted deposits		**(9,200)**	(13,550)
Release of restricted deposits		**17,405**	–
Proceeds from disposal of RMB wealth management products	36d(i)	**577,532**	849,714
Proceeds from disposal of equity investment in a listed company	26(iv)	**27,516**	57,688
Dividends received from unlisted funds		**1,300**	–
Proceeds from disposal of property, plant and equipment		**150**	108
Government grant received related to assets		**850**	25,640
Net cash used in investing activities		**(314,580)**	(2,134,492)

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Financing activities			
Proceeds from shares issued under share option schemes		–	57,785
Proceeds from Share Incentive Schemes		–	2,731
Proceeds from issuance of restricted shares	27(b)	–	30,758
Proceeds from new interest-bearing borrowings	27(b)	–	55,450
Repayment of interest-bearing borrowings	27(b)	**(6,895)**	(58,875)
Share held for Share Incentive Schemes	35(b)	**(111,848)**	(22,500)
Payments for cancellation of restricted shares	27(b)	**(1,735)**	(1,287)
Dividends paid	35(c)	**(214,244)**	(137,363)
Interest paid	27(b)	**(86)**	(351)
Capital element of lease rentals paid	27(b)	**(24,317)**	(23,927)
Interest element of lease rentals paid	27(b)	**(2,554)**	(1,753)
Net cash used in from financing activities		**(361,679)**	(99,332)
Effect of foreign exchange rate changes on cash and cash equivalents		**8,410**	37,470
Net decrease in cash and cash equivalents		**(45,822)**	(1,250,927)
Cash and cash equivalents at 1 January	27(a)	**2,899,469**	4,150,396
Cash and cash equivalents at 31 December	27(a)	**2,853,647**	2,899,469

The notes on pages 113 to 196 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 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 International Financial Reporting 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 2023 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));

– equity investment in a listed company (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 new and amended IFRSs issued by the IASB to the consolidated financial statements for the current accounting period:

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 36(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 at each reporting date 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
Non-competition agreement	Shorter of the unexpired term of agreement and useful life of 3 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 at each reporting date 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.

(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, 32 and 36(d) contains information about the assumptions and their risk factors relating to goodwill impairment, fair value of biological assets, fair value of share options granted and restricted shares under share incentive scheme 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 36(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:

	2023 **RMB'000**	2022 RMB'000
Rendering services:		
Non-clinical studies services	**2,308,999**	2,213,598
Clinical trial and related services	**63,424**	49,568
Sales of goods:		
Sales of research models	**4,064**	4,805
	2,376,487	2,267,971

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 2023, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied was approximately RMB3,300 million (2022: RMB4,400 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 segment.

- ***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 and (losses)/gains 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.

	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**

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

	2022			
	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	2,213,598	33,371	4,805	2,251,774
Over time	–	16,197	–	16,197
Revenue from external customer	2,213,598	49,568	4,805	2,267,971
Inter-segment revenue	1,809	–	433,828	435,637
Reportable segment revenue	2,215,407	49,568	438,633	2,703,608
Reportable segment gross profit	1,040,179	15,390	19,369	1,074,938

(ii) Reconciliations of reportable segment gross profit

	2023 RMB'000	2022 RMB'000
Reportable segment gross profit	**972,625**	1,074,938
Elimination of inter-segment gross loss	**6,768**	6,490
Consolidated gross profit	**979,393**	1,081,428

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:

	2023 **RMB'000**	2022 RMB'000
The PRC	**1,797,730**	1,885,205
The USA	**566,271**	356,892
Other countries/regions	**12,486**	25,874
	2,376,487	2,267,971

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.

	2023 **RMB'000**	2022 RMB'000
The PRC	**1,726,507**	1,880,102
The USA	**339,194**	348,787
	2,065,701	2,228,889

5 OTHER GAINS AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Government grants (including amortisation of deferred income)	**30,254**	22,644
Interest income	**142,503**	131,233
Net foreign exchange gain	**12,114**	27,401
Net loss on disposal of property, plant and equipment	**(251)**	(412)
Gains on financial assets at FVTPL	**12,697**	15,713
Change in fair value of financial assets at FVTPL	**43,165**	16,494
Negative goodwill	**–**	14,367
Others	**40**	199
	240,522	227,639

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2023 RMB'000	2022 RMB'000
Interest on interest-bearing borrowings	**86**	351
Interest on lease liabilities	**3,056**	3,231
	3,142	3,582

(b) Staff costs

	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	**574,996**	505,755
Contributions to defined contribution retirement scheme	**53,109**	43,322
Equity-settled share-based payment expenses (Note 32)	**6,028**	9,588
	634,133	558,665

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. Employees of these companies are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the abovementioned retirement scheme at their normal retirement age. The Group has a defined contribution plan in the USA where participating employees may contribute to the plan 7.65% of their eligible annual compensation as defined in the plan, up to the limit of USD160,200 for the year ended 31 December 2023. The Group also makes a matching contribution of participants' elective deferral contribution of 100% of the first 5% of eligible participant contributions in the USA. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2023 **RMB'000**	2022 RMB'000
Amortisation of intangible assets	**9,061**	15,608
Depreciation charge		
– Self-owned property, plant and equipment	**101,753**	86,094
– Right-of-use assets	**31,318**	28,014
Recognition of expected credit loss	**10,322**	5,797
Auditors' remuneration		
– audit services	**3,000**	2,700
– other assurance services	**51**	1,500
– non-assurance services	**256**	178
Cost of inventories	**774,938**	692,867

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:

	2023 RMB'000	2022 RMB'000
Current tax		
Provision for the year (Note 33(a))	**137,259**	161,925
Deferred tax		
Origination and reversal of temporary differences (Note 33(b))	**(21,861)**	4,877
	115,398	166,802

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Profit before taxation	**506,951**	1,240,002
Tax calculated tax rate of 25% (Note (i))	**126,738**	310,001
Tax effect of		
– different tax rates of subsidiaries operating in other jurisdictions and tax concessions (Notes (ii) and (iii))	**(16,904)**	(143,524)
– additional deduction on research and development expenses and depreciation expenses (Note (iv))	**(23,347)**	(21,393)
– Negative goodwill recognised in acquisition of subsidiaries	**–**	(3,592)
– unused tax losses and temporary differences not recognised	**26,052**	23,882
– non-deductible expenses	**2,859**	1,428
	115,398	166,802

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 2023 and 2022.

(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 2023 and 2022.

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 2023 and 2022. 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 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 2023 and 2022 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 75% of such expenses in first nine month of 2022. For the period from 1 October 2022 to 31 December 2023, qualified research and development expenses and depreciation expenses are allowed for additional tax deduction based on 100% of such expenses.

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	Sub-total RMB'000	Share-based payments (Note 32) 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
Mr. 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

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 32) RMB'000	2022 Total RMB'000
Executive directors							
Ms. Feng Yuxia *(Chairperson)*	–	1,644	1,534	59	3,237	–	3,237
Mr. Zuo Conglin	–	666	1,380	58	2,104	373	2,477
Mr. Gao Dapeng	–	670	1,328	58	2,056	152	2,208
Ms. Sun Yunxia	–	677	1,331	58	2,066	435	2,501
Mr. Yao Dalin	–	1,047	220	–	1,267	152	1,419
Non-executive director							
Mr. Gu Xiaolei	–	–	–	–	–	–	–
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	155	–	–	–	155	–	155
Supervisors							
Ms. Li Ye	–	472	755	58	1,285	–	1,285
Ms. Yin Lili (resigned on 17 November 2022)	–	419	685	53	1,157	–	1,157
Mr. Sun Huiye (resigned on 17 November 2022)	–	413	446	7	866	–	866
Mr. He Yingjun (appointed on 17 November 2022)	–	115	88	10	213	–	213
Ms. Zhao Wenjie (appointed on 17 November 2022)	–	–	–	–	–	–	–
	605	6,123	7,767	361	14,856	1,112	15,968

During the year ended 31 December 2023, 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 (2022: nil), and there was no arrangement under which a director waived or agreed to waive any emoluments (2022: nil).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 1 (2022: 2) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the 4 (2022: 3) individuals are as followings:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	**12,539**	10,927
Retirement scheme contributions	**509**	392
	13,048	11,319

The emoluments of the remaining 4 (2022: 3) individuals, respectively, who are amongst the five highest paid individuals of the Group are within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	1
	4	3

10 OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity investments at FVOCI – net movement in fair value reserve (non-recycling) (Note 36(d))	**1,120**	53,059
Tax effect (Note 33(b))	**(168)**	(7,959)
Net-of-tax amount	**952**	45,100
Exchange differences on translation of financial statements of foreign operations	**4,009**	23,714
Tax effect	**–**	–
Net-of-tax amount	**4,009**	23,714
	4,961	68,814

(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 RMB396,993,000 (2022: RMB1,074,257,000) and the weighted average number of ordinary shares calculated as below:

	2023	2022
Issued ordinary shares at 1 January	**535,678,676**	381,246,492
Issue of shares under bonus issue in 2023 (Note 35(d))	**214,271,470**	213,443,889
Issue of shares under bonus issue in 2022 (Note 35(d))	**–**	152,498,597
Effect of restricted shares (Note 32(b))	**(547,205)**	(357,548)
Effect of shares issued under share option schemes (Note 32(a))	**–**	222,182
Weighted average number of ordinary shares at 31 December	**749,402,941**	747,053,612

The weighted average number of ordinary shares shown above for the purposes of calculating basic earnings per share have been retrospectively adjusted to reflect the effect of issuance of shares under bonus issue (Note 35(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 RMB396,993,000 (2022: RMB1,074,257,000), and the weighted average number of ordinary shares (diluted) calculated as below:

	2023	2022
Weighted average number of ordinary shares at 31 December	**749,402,941**	747,053,612
Effect of restricted shares outstanding (Note 32(b))	**30,741**	576,879
Effect of deemed issue of shares under share option schemes (Note 32(a))	**494,826**	3,858,901
Weighted average number of ordinary shares (diluted) at 31 December	**749,928,508**	751,489,392

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 2022	371,049	213,041	379,385	35,754	41,366	127,361	1,167,956
Additions	–	47,008	74,068	9,745	5,874	175,351	312,046
Acquisition of subsidiaries	72,403	135,125	406	1,833	–	–	209,767
Disposals	–	–	(4,117)	(288)	–	–	(4,405)
Transfer in/(out)	6,018	–	6,797	116	11,054	(23,985)	–
Transfer to Intangible and other current assets	–	–	–	–	–	(1,374)	(1,374)
Exchange adjustments	–	10,777	3,899	829	3,323	382	19,210
At 31 December 2022	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**
Accumulated depreciation:							
At 1 January 2022	(87,618)	(48,426)	(188,904)	(16,512)	(11,768)	–	(353,228)
Charge for the year	(21,670)	(28,014)	(50,510)	(5,158)	(8,756)	–	(114,108)
Written back on disposals	–	–	3,622	239	–	–	3,861
Exchange adjustments	–	(3,074)	(1,031)	(139)	(790)	–	(5,034)
At 31 December 2022	(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)**
Net book value:							
At 31 December 2023	**322,271**	**308,029**	**229,921**	**31,130**	**70,132**	**342,008**	**1,303,491**
At 31 December 2022	340,182	326,437	223,615	26,419	40,303	277,735	1,234,691

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:

	2023 RMB'000	2022 RMB'000
Property leased for own use, carried at depreciation cost:		
– Land use rights	**244,579**	249,092
– Leased land	**2,470**	3,347
– Office buildings	**60,631**	73,488
– Equipment	**349**	510
	308,029	326,437

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:

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:		
– Land use rights	**5,164**	4,065
– Leased land	**877**	872
– Office buildings	**25,103**	22,913
– Equipment	**174**	164
	31,318	28,014
Interest on lease liabilities (Note 6(a))	**3,056**	3,231
Expense relating to short-term leases (Note 27(c))	**7,305**	4,472

Further details on lease liabilities are set out in Notes 27(c) and 31.

13 INTANGIBLE ASSETS

	Patents and trademarks RMB'000	Software RMB'000	Non-competition agreement RMB'000	Customer relationships RMB'000	Total RMB'000
Cost:					
At 1 January 2022	609	32,875	12,339	38,624	84,447
Additions	–	6,092	–	–	6,092
Disposals	(108)	(5,083)	(13,479)	–	(18,670)
Exchange adjustments	–	–	1,140	3,568	4,708
At 31 December 2022	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**
Accumulated amortisation:					
At 1 January 2022	(440)	(10,324)	(8,569)	(8,046)	(27,379)
Charge for the year	(45)	(7,508)	(3,979)	(4,076)	(15,608)
Written back on disposals	108	5,083	13,479	–	18,670
Exchange adjustments	–	–	(931)	(887)	(1,818)
At 31 December 2022	(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)**
Net book value:					
At 31 December 2023	**83**	**22,330**	**–**	**25,387**	**47,800**
At 31 December 2022	124	21,135	–	29,183	50,442

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 2022	122,431
Exchange adjustments	11,308
At 31 December 2022	133,739
Exchange adjustments	2,268
At 31 December 2023	**136,007**

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 2023 and 2022.

	2023	2022
Annual growth rate of revenue during the 5-year forecast period	**0.00%-1.04%**	3.00%-24.84%
Pre-tax discount rate	**16.90%**	13.94%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the cash-generating unit as at 31 December 2023 is RMB119,769,000 (2022: RMB41,351,000).

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 2023 and 2022:

	2023	2022
Decrease in annual growth rate	**1.6%**	0.6%
Increase in pre-tax discount rate	**10.3%**	2.7%

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 2023 and 2022.

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 December 2023 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			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
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
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

(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 Laboratories (Wuxi) Co., Ltd. 昭衍(無錫)新藥研究中心有限公司 (Note)	The PRC, limited liability company	RMB 50,000,000	80%	80%	–	Non-clinical studies services
JOINN MedSafe (Beijing) Co., Ltd. 北京昭衍鳴訊醫藥科技有限責任公司 (Note)	The PRC, limited liability company	RMB 20,000,000	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 30,000,000	100%	100%	–	Clinical trial and related services

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			
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.

Aggregate information of the associates that are not individually material:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated statements of financial position	**19,529**	22,598

Aggregate amount of the Group's share of those associates

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss for the year	**(3,069)**	(2,691)
Total comprehensive income	**(3,069)**	(2,691)

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.

	2023 **RMB'000**	2022 RMB'000
Non-current assets		
– Non-human primates for breeding	**558,874**	787,405
– Rodents for breeding	**–**	14
	558,874	787,419
Current assets		
– Non-human primates for non-clinical studies	**905,741**	1,071,026
– Rodents for non-clinical studies	**8**	150
	905,749	1,071,176
	1,464,623	1,858,595

17 BIOLOGICAL ASSETS (CONTINUED)

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 2022	74,102	160,208	234,310
Additions through acquisition of subsidiaries	674,185	1,018,865	1,693,050
Breeding cost*	–	15,321	15,321
Decrease due to sales	–	(415,573)	(415,573)
Decrease due to mortality	(515)	(1,235)	(1,750)
Changes in fair value of biological assets	13,969	319,104	333,073
Transfer	25,664	(25,664)	–
At 31 December 2022	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**

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.

(Expressed in RMB unless otherwise indicated)

17 BIOLOGICAL ASSETS (CONTINUED)

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 2023. 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.

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 2023, the average market price of the non-human primates research model of 3 to 5 years old is RMB110,000 per head. For female non-human primate research models and male non-human primate research models above 5 years, the fair values is estimated using depreciated replacement cost approach, which are based on the residue useful lives of female non-human primate research models and male non-human primate research models at the age of 5 years.

The estimated fair value of non-human primates increases/decreases as a result of an increase/decrease in the market price and replacement cost. As at 31 December 2023 if market price and replacement cost increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB146,462,000 (2022: RMB185,860,000).

Changes in fair value of biological assets are presented in "(losses)/gains 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

	2023 **RMB'000**	2022 RMB'000
Equity investments designated at FVOCI (non-recycling) – Equity investments in an unlisted company	**159,840**	158,720

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, 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 (2022: Nil).

19 CERTIFICATES OF DEPOSIT

	2023 **RMB'000**	2022 RMB'000
3 – year certificates of deposit	**1,564,322**	1,478,774

The amount represents certificates of deposit with PRC commercial banks with initial maturity of 3 years and bear fixed interest rate. Among the balance, RMB1,511,463,000, RMB30,832,000, and RMB22,027,000 will expired in June 2024, February 2026 and January 2024, respectively. The Company manages the above financial assets with the objective of the collection of contractual cash flows. The certificates of deposit are measured at amortised cost.

20 OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayment for land use rights	**17,794**	17,794
Prepayments for acquisition of property, plant and equipment	**10,093**	28,240
Others	**4,897**	4,857
	32,784	50,891

21 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2023 RMB'000	2022 RMB'000
Raw materials and consumables	**191,517**	350,182
Less: write-down of inventories	**(6,924)**	–
	184,593	350,182

(b) The analysis of the amount of inventories recognised as expense and included in the consolidated statement of profit or loss is as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories used	**774,938**	692,867

22 CONTRACT COSTS

	2023 RMB'000	2022 RMB'000
Costs to fulfil contracts	**805,981**	782,179
Less: write-down of contract costs	**(33,242)**	(8,931)
	772,739	773,248

23 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023 RMB'000	2022 RMB'000
Contract assets	**127,811**	129,123
Less: loss allowance	**(639)**	(646)
	127,172	128,477

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

	2023 RMB'000	2022 RMB'000
Amounts received in advance of the delivery of services	**1,151,974**	1,294,707

	2023 RMB'000	2022 RMB'000
Revenue recognised during the year that was included in the contract liabilities at the beginning of the year	**881,063**	674,816

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.

24 TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**224,602**	207,998
Less: loss allowance	**(18,588)**	(8,561)
	206,014	199,437
Bills receivables	**6,874**	12,186
	212,888	211,623

The ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**160,784**	173,842
1 to 2 years	**42,891**	20,756
2 to 3 years	**2,278**	1,995
Over 3 years	**61**	2,844
	206,014	199,437

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 36(a).

25 PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments for purchase of inventories and receiving of services	**110,147**	37,166
Value added tax recoverable	**16,640**	10,785
Prepayments for miscellaneous expenses	**9,838**	9,515
Deposits	**11,268**	6,974
Income tax recoverable (Note 33(a))	**937**	3,324
Others	**1,121**	1,168
	149,951	68,932
Less: loss allowance	**(881)**	(551)
	149,070	68,381

All of the prepayments and other receivables are expected to be recovered or recognised as expense within one year.

26 FINANCIAL ASSETS AT FVTPL

	2023 RMB'000	2022 RMB'000
Non-current assets		
Equity investment in an unlisted company (i)	**354,639**	317,749
Investments in unlisted funds (ii)	**233,145**	168,174
	587,784	485,923
Current assets		
RMB wealth management products (iii)	**373,354**	381,326
Equity investments in a listed company (iv)	**–**	27,145
	373,354	408,471
	961,138	894,394

Notes:

(i) In December 2021, the Company entered into a share purchase agreement ("SPA") with JOINN Biologics Inc., ("JOINN Cayman") and other investors, to purchase 44,116,176 Series B+ Preferred Shares of JOINN Cayman at a consideration of USD50,000,000. JOINN Cayman, incorporated in Cayman Islands and controlled by Ms. Feng Yuxia, the Company's ultimate shareholder, is principally engaged in providing CDMO services. The consideration has been settled in April 2022.

(ii) On 30 March 2022, the Company entered into a limited partnership agreement with Xiamen Yuanfeng Investment Co., Ltd. to subscribe for interests in Xiamen Yuanfeng Equity Investment Fund Partnership at a consideration of RMB200,000,000. The Company paid RMB130,000,000 in April 2022.

On 30 March 2022, the Company entered into a partnership agreement with Beiguang Huagai Private Equity Fund Management (Beijing) Co., Ltd. and other partners to subscribe for interest in Capital Health Fund at a consideration of RMB50,000,000. The Company paid RMB25,000,000 in April 2022 and RMB25,000,000 in April 2023.

On 27 June 2023, the Company entered into a limited partnership agreement with Pablo Hill Capital Management, LLC and Vcanbio USA Healthcare Venture Fund, L.P. to subscribe for the interest in Pablo Hill Venture Fund One, L.P. at a consideration of USD8,000,000. The Company paid USD5,300,000 in a total during the year of 2023.

(iii) The RMB wealth management products are not principal protected and have no fixed maturity periods.

(iv) On 21 June 2021, the Company participated in the strategic investor placement of Changchun BCHT Biotechnology Co., Ltd.'s A-share IPO to purchase 1,200,000 shares at RMB43,620,000, which is subject to a lock-up period up to June 2022. 807,214 shares and 392,786 shares have been disposed during 2022 and 2023, respectively.

27 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2023 RMB'000	2022 RMB'000
Cash on hand	–	1
Cash at bank	2,862,912	2,916,847
Cash at bank and on hand included in the consolidated statement of financial position	2,862,912	2,916,848
Less: restricted deposits	(9,265)	(17,379)
Cash and cash equivalents included in the consolidated cash flow statement	2,853,647	2,899,469

(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 (Note 28)	Interest payable RMB'000	Considerations received for subscribing restricted A shares RMB'000 (Note 30)	Lease liabilities RMB'000 (Note 31)	Total RMB'000
At 1 January 2022	9,483	–	3,935	85,839	99,257
Changes from financing cash flows:					
Repayment of borrowings	(58,875)	–	–	–	(58,875)
Proceeds from new interest-bearing borrowings	55,450	–	–	–	55,450
Interest paid	–	(351)	–	–	(351)
Considerations received for subscribing restricted shares of the Company	–	–	30,758	–	30,758
Cancellation of restricted shares	–	–	(1,287)	–	(1,287)
Capital element of lease rentals paid	–	–	–	(23,927)	(23,927)
Interest element of lease rentals paid	–	–	–	(1,753)	(1,753)
Total changes from financing cash flows	(3,425)	(351)	29,471	(25,680)	15
Exchange adjustments	756	–	–	6,901	7,657

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 (Note 28)	Interest payable RMB'000	Considerations received for subscribing restricted A shares RMB'000 (Note 30)	Lease liabilities RMB'000 (Note 31)	Total RMB'000
Other changes:					
Interest expenses (Note 6(a))	–	351	–	3,231	3,582
Capitalisation of new leases	–	–	–	10,023	10,023
Acquisition of subsidiaries	–	–	–	579	579
Unlock of restricted shares	–	–	(3,110)	–	(3,110)
Effects of payments of dividend for restricted shares	–	–	(200)	–	(200)
Cancellation of restricted shares	–	–	(655)	–	(655)
Total other changes	–	351	(3,965)	13,833	10,219
At 31 December 2022 and 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	**–**	**–**	**16,369**	**69,425**	**85,794**

27 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**7,305**	4,472
Within investing cash flows	**–**	36,985
Within financing cash flows	**26,871**	25,680
	34,176	67,137

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rentals paid	**34,176**	30,152
Payments for land use right and leased land	**–**	36,985
	34,176	67,137

28 INTEREST-BEARING BORROWINGS

(a) The Group's short-term bank borrowings are analysed as follows:

	2023 RMB'000	2022 RMB'000
Current portion of long-term bank borrowings (Note 28(b))	**–**	3,533

28 INTEREST-BEARING BORROWINGS (CONTINUED)

(b) The Group's long-term bank borrowings are analysed as follows:

	2023 **RMB'000**	2022 RMB'000
Bank borrowings		
– Secured	–	6,814
Less: Current portion of long-term bank borrowings (Note 28(a))	–	(3,533)
	–	3,281

The Group's long-term bank borrowings are repayable as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	–	3,533
After 1 year but within 2 years	–	2,296
After 2 years but within 5 years	–	985
	–	6,814

29 TRADE PAYABLES

	2023 **RMB'000**	2022 RMB'000
Trade payables	**43,323**	127,309

At 31 December 2023, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**42,778**	126,749
1 to 2 years	**545**	560
	43,323	127,309

As at 31 December 2023, all trade payables of the Group are expected to be settled within one year or are payable on demand.

30 OTHER PAYABLES

	2023 **RMB'000**	2022 RMB'000
Payables for staff related costs	**106,583**	125,638
Payables for acquisition of property, plant and equipment	**67,813**	70,903
Payables for other taxes	**7,641**	10,334
Considerations received from employees for subscribing restricted shares of the Company under share incentive scheme (Note 27)	**16,369**	29,441
Payables for equity investment	**–**	90,209
Others	**4,809**	8,979
	203,215	335,504

All the other payables are expected to be settled within one year or are repayable on demand.

31 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities.

	2023		2022	
	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	**27,500**	**28,046**	24,006	24,476
After 1 year but within 2 years	**27,111**	**28,715**	22,292	23,608
After 2 years but within 5 years	**13,598**	**15,241**	33,369	37,424
After 5 years	**1,216**	**2,204**	1,226	2,305
	41,925	**46,160**	56,887	63,337
	69,425	**74,206**	80,893	87,813
Less: total future interest expenses		**(4,781)**		(6,920)
Present value of lease obligations		**69,425**		80,893

32 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 27 February 2018, a share option and restricted share award scheme ("2018 Share Option and Restricted Share Award Scheme") was approved at the Company's first extraordinary general meeting ("EGM") of 2018. On 9 March 2018, the Company granted 396,000 share options and 342,000 restricted shares respectively to the eligible directors and employees of the Group under 2018 Share Option and 2018 Restricted Share Award Scheme, of which the registration was completed on 19 April 2018. Each option gives the participants the right to subscribe for one ordinary share of the Company at an exercise price of RMB56.62, and the participants are entitled to subscribe the Company's restricted shares at RMB28.31 each.

On 15 August 2019, a share option and a restricted share award scheme ("2019 Share Option and 2019 Restricted Share Award Scheme") was approved at the Company's 4th EGM of 2019. On 9 September 2019, the Company granted 1,124,000 share options and 405,000 restricted shares respectively to the eligible directors and employees of the Group under 2019 Share Option and 2019 Restricted Share Award Scheme, of which the registration was completed on 14 October 2019 (the "First Batch"). Each option gives the participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB48.11, and the participants are entitled to subscribe the Company's restricted shares at RMB24.06 each.

32 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

On 24 June 2020, the Company granted 175,000 share options and 63,000 restricted shares respectively to the eligible directors and employees of the Group under 2019 Share Option and 2019 Restricted Share Award Scheme, of which the registration was completed on 11 August 2020 (the "Second Batch"). Each option gives the participants the right to subscribe for one ordinary share in the Company at an exercise price of RMB94.77, and the participants are entitled to subscribe the Company's restricted shares at RMB47.39 each.

On 15 July 2020, a share option ("2020 Share Option") was approved at the Company's second EGM of 2020. On 17 July 2020, the Company granted 2,090,000 share options to the eligible directors and employees of the Group under 2020 Share Option, of which the registration was completed on 31 August 2020. Each option gives the participants the right to subscribe for one ordinary share of the Company at an exercise price of RMB94.77.

On 28 January 2022, a restricted share award scheme ("2021 Restricted Shares Award Scheme") and an employee stock ownership plan ("2021 Employee Stock Ownership Plan") was approved at the Company's first EGM of 2022. On 28 January 2022, the Company granted 366,300 restricted shares to the eligible employees of the Group under 2021 Restricted Shares Award Scheme, of which the registration was completed on 29 March 2022. The participants are entitled to subscribe the Company's restricted shares at RMB83.97. On 30 March 2023, the second meeting of the fourth session of the board of Directors of the Company approved the cancellation of the 2021 A Share Employee Stock Ownership Plan.

On 24 June 2022, a H share incentive scheme ("2022 H Share Incentive Scheme") was approved at the annual general meeting of 2022 of the Company. Under the 2022 H Share Incentive Scheme, the Company will repurchase H share by the appointed trustee(s) through on-market transactions and the purchased H share will be used for award the eligible employees. As at 31 December, no award shares have been granted.

On 17 November 2022, 2022 A Share Employee Ownership Plan were approved at the Company's second EGM of 2022. Under 2022 A Share Employee Ownership Plan, not more than 124,000 A share will be granted to the eligible employees at RMB39.87 each share. On 30 October 2023, the fifth meeting of the fourth session of the board of Directors of the Company approved the cancellation of the 2022 A Share Employee Stock Ownership Plan.

The 2021 Employee Stock Ownership plan, 2022 Employee Stock Ownership Plan and 2022 H Share Incentive Scheme are collectively named as Share Incentive Schemes.

Pursuant to the terms of the above schemes, the numbers and exercise/repurchase prices of the outstanding share options and restricted shares will be adjusted according to the resolution in respect of the Company's dividend distribution.

(Expressed in RMB unless otherwise indicated)

32 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Share options

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Vesting period of options
Options granted to directors:			
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	108,000	Both performance and service period conditions apply (Note (ii))	1–2 years
– on 17 July 2020 under 2020 Share Option and Restricted Share Award Scheme	186,000	Both performance and service period conditions apply (Note (i))	1–3 years
Options granted to employees:			
– on 9 March 2018 under 2018 Share Option and Restricted Share Award Scheme	396,000	Both performance and service period conditions apply (Note (i))	1–3 years
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	1,124,000	Both performance and service period conditions apply (Note (i))	1–3 years
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	67,000	Both performance and service period conditions apply (Note (ii))	1–2 years
– on 17 July 2020 under 2020 Share Option and Restricted Share Award Scheme	1,904,000	Both performance and service period conditions apply (Note (i))	1–3 years
Total share options granted	**3,785,000**		

Notes:

(i) The options will vest over a three-year period, with 50%, 30% and 20% of total options vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.

(ii) The options will vest over a two-year period, with 50% and 50% of total options vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and the employees.

(Expressed in RMB unless otherwise indicated)

32 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Share options (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**RMB47.90**	**1,238,675**	RMB42.14	2,164,253
Effect of issuance of shares under bonus issue (Note 35(d))		**–**		842,341
Exercised during the year	**–**	**–**	RMB38.10	(1,516,647)
Forfeited during the year	**RMB47.89**	**(419,787)**	RMB41.36	(251,272)
Outstanding at the end of the year	**RMB47.91**	**818,888**	RMB47.90	1,238,675
Exercisable at the end of the year		**–**		530,494

All the share options granted have a contractual life of 48 months. The options outstanding as at 31 December 2023 had an exercise price of RMB47.91 (2022: RMB16.97 or RMB47.92) and a weighted average remaining contractual life of 7 months (2022: 19 months).

(Expressed in RMB unless otherwise indicated)

32 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Share options (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes model.

Fair value of share options and assumptions	2018 Share Option and Restricted Share Award Scheme	The First Batch under 2019 Share Option and Restricted Share Award Scheme in 2019	The Second Batch under 2019 Share Option and Restricted Share Award Scheme in 2020	2020 Share Option and Restricted Share Award Scheme
Fair value at measurement date	RMB5.88 – RMB14.89	RMB15.34 – RMB17.90	RMB12.06 – RMB18.75	RMB13.40 – RMB23.62
Share price	RMB60.88	RMB62.50	RMB94.61	RMB96.86
Exercise price	RMB56.62	RMB48.11	RMB94.77	RMB94.77
Expected volatility (expressed volatility used in the modelling under Black-Scholes model)	20% – 33%	26% – 30%	30% – 32%	30% – 32%
Expected dividends	0%	1%	0.18%	0.17%
Risk-free interest rate	1.50% – 2.75%	1.50% – 2.75%	2.22% – 2.63%	2.22% – 2.69%

(Expressed in RMB unless otherwise indicated)

32 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Restricted shares

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Vesting period of shares
Restricted shares granted to directors:			
– on 9 March 2018 under 2018 Share Option and Restricted Share Award Scheme	80,000	Both performance and service period conditions apply (Note (i))	1–3 years
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	120,000	Both performance and service period conditions apply (Note (i))	1–3 years
Restricted shares granted to employees:			
– on 9 March 2018 under 2018 Share Option and Restricted Share Award Scheme	262,000	Both performance and service period conditions apply (Note (i))	1–3 years
– on 9 September 2019 under 2019 Share Option and Restricted Share Award Scheme	285,000	Both performance and service period conditions apply (Note (i))	1–3 years
– on 24 June 2020 under 2019 Share Option and Restricted Share Award Scheme	63,000	Both performance and service period conditions apply (Note (ii))	1–2 years
– on 28 January 2022 under 2021 Restricted Share Award Scheme	366,300	Both performance and service period conditions apply (Note (iii))	1–3 years
Total share Restricted shares granted	**1,176,300**		

Notes:

(i) The restricted shares will vest over a three-year period, with 50%, 30% and 20% of total restricted shares vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and employees.

(ii) The restricted shares will vest over a two-year period, with 50% and 50% of total restricted shares vesting respectively on the first trading day after the first and second anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the employees.

(iii) The restricted shares will vest over a three-year period, with 40%, 30% and 30% of total restricted shares vesting respectively on the first trading day after the first, second and third anniversary date from the date of the registration of grant, upon meeting the achievement of vesting conditions with reference to both financial performance of the Group and service period and individual performance of the directors and employees.

32 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Restricted shares (continued)

(ii) Set out below are details of the movements of the restricted shares:

	2023	2022
Outstanding at the beginning of the year	**516,113**	266,417
Granted during the year	**–**	366,300
Effect of issuance of shares under bonus issue	**117,533**	222,332
Unlocked during the year	**(187,880)**	(262,051)
Canceled/Lapsed of restricted shares	**(445,766)**	(76,885)
Outstanding at the end of the year	**–**	516,113

All the restricted shares granted are subject to contractual life of 48 months. The restricted shares outstanding at 31 December 2023 had a weighted average remaining contractual life of nil (2022: 37 months).

On 30 October 2023, the outstanding shares of 2021 Restricted Shares Award Scheme was approved at the Company's fifth Meeting of Directors to terminate the implementation and cancel the outstanding shares.

(c) The Group has recognised share-based payment expenses of RMB6,028,000 during the year ended 31 December 2023 (2022: RMB9,588,000).

33 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2023 RMB'000	2022 RMB'000
Net balance of income tax payable at 1 January	**55,879**	21,587
Provision for the year (Note 7(a))	**137,259**	161,925
Credit to reserve	**–**	(4,083)
Income tax paid	**(152,722)**	(123,550)
Net balance of income tax payable at 31 December	**40,416**	55,879
Represented by:		
Income tax recoverable included in prepayments and other receivables (Note 25)	**(937)**	(3,324)
Income tax payable	**41,353**	59,203
	40,416	55,879

33 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 2022	21,344	842	2,028	13,692	14,736	5,251	57,893	(10,164)	(13,952)	(12,831)	(11,481)	(14,039)	(62,467)	(4,574)
Credited/(charged) to profit or loss (Note 7(a))	(3,309)	427	3,218	(1,558)	(1,784)	(1,280)	(4,286)	2,741	1,481	(9,790)	2,854	2,123	(591)	(4,877)
Credited to the reserve	-	-	-	(10,487)	-	-	(10,487)	-	-	-	-	-	-	(10,487)
Charged to other comprehensive income (Note 10)	-	-	-	-	-	-	-	-	(7,959)	-	-	-	(7,959)	(7,959)
Acquisition of subsidiaries	-	-	-	-	-	-	-	(6,631)	-	-	(120,749)	-	(127,380)	(127,380)
Exchange adjustments	1,403	6	-	-	-	-	1,409	(853)	-	(909)	-	-	(1,762)	(353)
At 31 December 2022 and 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	**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)**

33 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

	2023 RMB'000	2022 RMB'000
Net deferred tax asset in the consolidated statement of financial position	**28,251**	32,613
Net deferred tax liability in the consolidated statement of financial position	**(162,341)**	(188,243)
	(134,090)	(155,630)

(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 RMB308,391,000 as at 31 December 2023 (2022: RMB207,394,000), 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:

	2023 RMB'000	2022 RMB'000
Year of 2023	**–**	2,333
Year of 2024	**9,847**	10,079
Year of 2025	**17,594**	17,391
Year of 2026	**32,736**	32,736
Year of 2027	**49,960**	49,952
After 2027	**198,254**	94,903
	308,391	207,394

34 DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
At 1 January	**80,677**	60,844
Additions	**850**	26,021
Credit to profit or loss	**(7,040)**	(6,188)
At 31 December	**74,487**	80,677

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.

35 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 35(d))	Capital reserve RMB'000 (Note 35 (e)(i))	Share award reserve RMB'000 (Note 35 (e)(ii))	Statutory reserve RMB'000 (Note 35 (e)(iii))	Fair value reserve (non-recycling) RMB'000 (Note 35 (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 35(d))	214,244	(214,244)	-	-	-	-	-
Cancellation of restricted shares (Note 32(b)(ii))	(34)	(1,851)	1,885	-	-	-	-
Unlock of restricted shares	-	-	11,220	-	-	-	11,220
Issue of Employee Ownership Plan (Note 35(b))	-	(2,655)	5,386	-	-	-	2,731
Termination of Employee Ownership Plan (Note 35(b))	-	(172)	-	-	-	-	(172)
Share held for Share Incentive Schemes (Note 35(b))	-	-	(111,906)	-	-	-	(111,906)
Recognition of share-based payments (Note 32(c))	-	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 35(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**

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

	Share capital RMB'000 (Note 35(d)	Capital reserve RMB'000 (Note 35 (e)(i))	Share award reserve RMB'000 (Note 35 (e)(ii))	Statutory reserve RMB'000 (Note 35 (e)(iii))	Fair value reserve (non-recycling) RMB'000 (Note 35 (e)(v))	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022	381,246	5,520,283	(3,935)	87,428	47,312	570,159	6,602,493
Changes in equity:							
Profit for the year	–	–	–	–	–	320,815	320,815
Other comprehensive income	–	–	–	–	45,100	–	45,100
Total comprehensive income for the year	–	–	–	–	45,100	320,815	365,915
Issue of shares under bonus issue (Note 35(d))	152,626	(152,626)	–	–	–	–	–
Shares issued under share option scheme	1,517	56,268	–	–	–	–	57,785
Issue of restricted shares (Note 32(b)(ii))	366	30,392	(30,758)	–	–	–	–
Cancellation of restricted shares (Note 32(b)(ii))	(76)	(653)	729	–	–	–	–
Unlock of restricted shares	–	–	3,110	–	–	–	3,110
Share held for Share Incentive Schemes	–	–	(22,500)	–	–	–	(22,500)
Recognition of share-based payments (Note 32(c))	–	9,588	–	–	–	–	9,588
Recognition of tax effect related with share-based payments	–	(4,246)	–	–	–	–	(4,246)
Appropriation to reserves	–	–	–	32,083	–	(32,083)	–
Dividends declared and paid in respect of the previous year (Note 35(c)(ii))	–	–	200	–	–	(137,363)	(137,163)
At 31 December 2022	535,679	5,459,006	(53,154)	119,511	92,412	721,528	6,874,982

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share held for Share Incentive Schemes

During the year, 6,573,240 H shares were purchased with amount of HKD125,283,000 for purpose of 2022 H share incentive scheme, with the highest and lowest purchase price per share at HKD45.5 and HK11.2, respectively.

On 6 January 2023, the Company transferred 68,500 A shares to the account of 2022 A Share Employee Ownership Plan at a transfer price of RMB39.87. According to the written resolutions on 18 July 2023 in Note 35(d), the total amount of the account transferred to 95,900 shares. On 30 October, the outstanding shares of 2022 A Share Employee Ownership Plan was approved at the Company's fifth Meeting of Directors to termination.

(c) Dividends

(i) Cash dividends payable to equity shareholders of the Company attributable to the year

	2023 **RMB'000**	2022 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.16 per ordinary share (2022: RMB0.40 per ordinary share)	**119,977**	214,258

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.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2023 **RMB'000**	2022 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year of RMB0.40 per ordinary share (2022: RMB0.36 per ordinary share)	**214,244**	137,363

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Share capital

Issued share capital

	2023		2022	
	No. of shares	**Amount RMB'000**	No. of shares	Amount RMB'000
Ordinary shares, issued:				
At 1 January	**535,678,676**	**535,679**	381,246,492	381,246
Issue of restricted shares (Note 32(b))	**–**	**–**	366,300	366
Shares issued under share option scheme	**–**	**–**	1,516,647	1,517
Issue of shares under bonus issue	**214,244,424**	**214,244**	152,626,122	152,626
Cancellation of restricted shares	**(34,401)**	**(34)**	(76,885)	(76)
At 31 December	**749,888,699**	**749,889**	535,678,676	535,679

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.

Pursuant to the written resolutions of the shareholders of the Company passed on 24 June 2022, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders as bonus issue. As a result, 152,626,122 shares were issued and approximately RMB152,626,000 was transferred from share premium in capital reserve to share capital.

35 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)).

35 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:

	2023	2022
	RMB'000	RMB'000
Total assets	**10,027,159**	10,364,216
Total liabilities	**1,746,118**	2,173,350
Gearing ratio	**17.4%**	21.0%

36 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 2023, 10% (2022: 4%) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 22% (2022: 17%) 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.

36 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:

	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**

	2022 Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Less than 90 days and not past due	0.5	205,045	1,026
Less than 90 days and past due	1.0	39,326	393
More than 90 days but less than 1 year	1.3	60,148	781
1 to 2 years	6.1	22,104	1,348
2 to 3 years	16.6	2,391	397
3 to 4 years	45.5	5,220	2,375
Over 4 years	100.0	2,887	2,887
		337,121	9,207

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.

36 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:

	2023 **RMB'000**	2022 RMB'000
Balance at 1 January	**9,207**	5,858
Exchange adjustments	**29**	76
Loss allowance recognised during the year	**9,991**	5,577
Write-off during the year	**–**	(2,304)
Balance at 31 December	**19,227**	9,207

Movement in the loss allowance account in respect of other receivables of the Group during the year is as follows:

	2023 **RMB'000**	2022 RMB'000
Balance at 1 January	**550**	330
Loss allowance recognised during the year	**331**	220
Balance at 31 December	**881**	550

36 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 2023 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:

	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 31)	**28,046**	**28,715**	**15,241**	**2,204**	**74,206**	**69,425**

	2022					
	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
Interest-bearing borrowings (Note 28)	3,711	2,355	997	–	7,063	6,814
Lease liabilities (Note 31)	24,476	23,608	37,424	2,305	87,813	80,893

The contractual cash flows of other financial liabilities equal to the carrying amount on the statement of financial position as at 31 December 2023 and 2022.

36 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.

	2023		2022	
	US$	**HKD**	US$	HKD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash at bank and on hand	**168,943**	**9,270**	318,795	30,857
Contract assets	**19,367**	**–**	478	–
Trade receivables	**26,951**	**68**	32,631	–
Trade payables	**(368)**	**–**	(36)	–
Other payables	**(368)**	**(98)**	–	(80)
Gross exposure arising from recognised assets and liabilities	**214,525**	**9,240**	351,868	30,777

36 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.

	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax**	
		2023	2022
		RMB'000	RMB'000
US$	5%	**9,117**	14,954
	(5%)	**(9,117)**	(14,954)
HKD	5%	**393**	1,308
	(5%)	**(393)**	(1,308)

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 2022.

36 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.

	2023		2022	
	Fair value measurements categorised into Level 2 RMB'000	**Fair value measurements categorised into Level 3 RMB'000**	Fair value measurements categorised into Level 2 RMB'000	Fair value measurements categorised into Level 3 RMB'000
Equity investment in a listed company (Note 26)	**–**	**–**	27,145	–
Equity investments in an unlisted company designated at FVOCI (Note 18)	**–**	**159,840**	–	158,720
Equity investments in an unlisted company at FVTPL (Note 26)	**–**	**354,639**	–	317,749
Investments in unlisted funds (Note 26)	**–**	**233,145**	–	168,174
RMB wealth management products (Note 26)	**–**	**373,354**	–	381,326

During the years ended 31 December 2023 and 2022, 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.

36 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 2023, if the discount for lack of marketability had been one percentage point higher/lower, the Group's total comprehensive income would have been RMB1,955,000 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 2023, if the expected volatility had been one percentage point higher/lower, the Group's total comprehensive income would have been RMB640,000 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 2023, 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 RMB935,000 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.

36 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:

	2023 **RMB'000**	2022 RMB'000
Equity investments in a listed company (Note 26):		
At 1 January	**27,145**	75,444
Disposal of the equity investments	**(27,516)**	(57,688)
Net realised and unrealised gains or losses recognised in profit or loss during the year	**371**	9,389
At 31 December	**–**	27,145

	2023 **RMB'000**	2022 RMB'000
Equity investment in an unlisted company designated at FVOCI (Note 18):		
At 1 January	**158,720**	105,661
Changes in fair value recognised in other comprehensive income (Note 10)	**1,120**	53,059
At 31 December	**159,840**	158,720

	2023 **RMB'000**	2022 RMB'000
Equity investments in an unlisted company at FVTPL (Note 26)		
At 1 January	**317,749**	–
Additions in investments	**–**	317,425
Net realised and unrealised gains or losses recognised in profit or loss during the year	**36,890**	324
At 31 December	**354,639**	317,749

36 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)

	2023 RMB'000	2022 RMB'000
Investments in unlisted funds (Note 26)		
At 1 January	**168,174**	–
Additions in investments	**62,352**	155,000
Net realised and unrealised gains or losses recognised in profit or loss during the year	**2,433**	13,174
Exchange adjustments	**186**	–
At 31 December	**233,145**	168,174

	2023 RMB'000	2022 RMB'000
RMB wealth management products (Note 26):		
At 1 January	**381,326**	605,534
Acquisition of subsidiaries	**–**	19,685
Additions in investments	**555,000**	596,500
Net realised and unrealised gains or losses recognised in profit or loss during the year	**14,560**	9,321
Disposal of financial assets	**(577,532)**	(849,714)
At 31 December	**373,354**	381,326

(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 2023.

37 COMMITMENTS

Capital commitments outstanding at 31 December 2023 and 2022 not provided for in the consolidated financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Purchase of property, plant and equipment:		
– Contracted for	**162,725**	158,578

38 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
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")	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 Operating 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
Jiangsu Sinotau Molecular Imaging Science & Technology Co., LTD. 江蘇先通分子影像科技有限公司	Associate of the company

38 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with related parties

	2023 **RMB'000**	2022 RMB'000
Sales of research models to Staidson group	**–**	679
Provision of services to Staidson group (i)	**74,192**	58,645
Provision of services to Joinn Biologics group	**507**	150
Provision of services to Heyu group	**93**	233
Purchase of services from Qixi group (ii)	**4,536**	–
Purchase of services from BioAI (iii)	**2,621**	–
Purchase of services from Joinn Biologics group	**428**	214
Lease expenses of offices from Yizhao	**147**	–

(i) In the year 2023 and 2022, the Company provided Non-clinical studies services and Clinical trial and related services to Staidson group.

(ii) In the year 2023, the company purchased the power capacity expansion engineering services and property service from Qixi group.

(iii) In the year 2023, the company purchased the research and development services for a laboratory analysis system from BioAI.

38 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 RMB42,673,000. The rental paid/payable by the company in 2023 amounted at USD1,305,000, which is equivalent to RMB9,199,000.

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 2023 amounted at RMB224,000.

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 2023 amounted at RMB2,087,000.

(d) Balances with related parties

The Group's balances with related parties as at the end of reporting period are as follows:

	2023 **RMB'000**	2022 RMB'000
Contract assets	**15,834**	12,259
Trade and bills receivables	**29,944**	9,875
Prepayment and other receivables	**3,214**	1,416
Contract liabilities	**12,612**	31,771
Trade payables	**53**	–

The balances with related parties disclosed above are trade in nature.

38 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(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).

	2023 **RMB'000**	2022 RMB'000
Short-term employee benefits	**14,172**	17,942
Retirement scheme contributions	**423**	477
Share-based payments	**170**	1,365
	14,765	19,784

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions for the year ended 31 December 2023 included in Notes 38(b) and 38(c) 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.

39 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property plant and equipment		**103,580**	107,250
Intangible assets		**14,991**	14,624
Investments in subsidiaries	15	**3,154,682**	2,893,218
Interest in an associate		**19,529**	22,598
Financial assets at FVOCI		**159,840**	158,720
Financial assets at fair value through profit or loss ("FVTPL")		**550,599**	485,923
Certificates of deposit		**–**	1,457,425
Other non-current assets		**1,320**	1,715
Deferred tax assets		**2,975**	2,949
		4,007,516	5,144,422
Current assets			
Inventories		**15,226**	42,330
Contract costs		**187,006**	215,818
Contract assets		**46,100**	47,729
Trade and bills receivables		**47,307**	57,365
Prepayments and other receivables		**63,925**	32,740
Financial assets at FVTPL		**373,354**	258,159
Certificate of deposit		**1,511,463**	–
Cash at bank and on hand		**1,729,736**	2,060,261
		3,974,117	2,714,402
Current liabilities			
Trade payables		**25,936**	70,300
Contract liabilities		**270,565**	341,657
Other payables		**811,750**	518,502
Lease liabilities		**1,094**	539
Income tax payable		**9,789**	12,457
		1,119,134	943,455
Net current assets		**2,854,983**	1,770,947
Total assets less current liabilities		**6,862,499**	6,915,369
Non-current liabilities			
Lease liabilities		**1,362**	–
Deferred tax liabilities		**30,131**	25,196
Deferred income		**13,925**	15,191
		45,418	40,387
NET ASSETS		**6,817,081**	6,874,982
CAPITAL AND RESERVES	35		
Share capital		**749,889**	535,679
Reserves		**6,067,192**	6,339,303
TOTAL EQUITY		**6,817,081**	6,874,982

(Expressed in RMB unless otherwise indicated)

40 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

The directors consider the immediate and ultimate controlling parties of the Group at 31 December 2023 to be Ms. Feng Yuxia and Mr. Zhou Zhiwen.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 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 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

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.